FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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WORLD NEWS

Chernomyrdin set to run for Russian presidency in direct challenge to Yeltsin

Russia's former prime minister Victor Chernomyrdin has declared himself a *candidate for the presidency, striking* back at the Kremlin after his humiliating dismissal last week. His aggressive move is a direct challenge to president Boris Yeltsin. **Page 2; Editorial Comment, Page 13**

Europe's fruit crops blighted
Europe's fruit farmers are counting the cost of frosts and snowfalls last week, which have badly damaged crop prospects for the summer. **Page 14**

Hakkinen takes Brazil GP
Finland's Mika Hakkinen won the Brazilian Grand Prix in Sao Paulo for McLaren, finishing one second ahead of British team-mate David Coulthard. Ferrari's German driver Michael Schumacher was third.

Fresh call for Romania PM to quit
A second party in Romania's ruling coalition has called for the resignation of embattled prime minister Victor Ciorbea. **Page 2**

Mideast talks falter
US Middle East peace envoy Dennis Ross has made little progress during his mission to the region, which *comes ahead of a planned third* round of talks with Israeli and Palestinian leaders. **Page 5**

Holocaust bank deal applauded
An agreement by three Swiss banks to work towards a settlement of the issues *raised by their dealings* with Nazi Germany has been greeted as a "major breakthrough". **Page 2; Editorial Comment, Page 13**

Armenian democracy in crisis
Armenia's democratic reputation is in *the balance as voters go to the polls* in the second round of presidential elections. **Page 2**

Haiti close to political deal
Haiti's parliamentary factions are close to a compromise which could *bring an end to nine months of gov*ernment paralysis. **Page 4**

Bulgaria upgrades reactors
Bulgaria has announced a $300m upgrade for two nuclear power units at Kozloduhy, but backed down on a pledge to shut down two older units by the end of the year. **Page 5**

Commons reform plan abandoned
Plans for significant modernisation of the UK's House of Commons have been abandoned after intervention by prime minister Tony Blair. **Page 6**

Imelda Marcos faces jail
Former Philippine first lady Imelda Marcos said the Supreme Court had rejected her appeal against conviction for graft and that she was certain to go to jail. **Page 3**

Fears over Bolivia changes
Foreign investors in Bolivia fear that free-market rules laid down by the previous administration could be overturned. **Page 4**

Cards are dealt a blow
Store assistants are the biggest obstacle to American shoppers paying with "stored value" cards embedded with a computer *chip – known* as smart cards in the US. **Page 14; Cards fail to impress, Page 4**

Dispute flares in Hong Kong
A dispute has flared in Hong Kong over government plans for a bill that *could provide legal exemptions for* Chinese state bodies. **Page 3**

Panama holds first primaries
Opposition *candidates hoping* to be the next president of Panama have fought the country's first ever primary election for nomination in the May 1999 poll. **Page 4**

Thieves disturb Buddha's tranquillity
Thieves have stolen the oldest stone statue of Buddha in Beijing, a treasure carved in 499 AD which has stood on the same site ever since.

BUSINESS NEWS

Diageo sells Bombay gin and Dewar's whisky brands to Bacardi for $1.83bn

Diageo, the world's largest drinks company, will today announce it has *completed the sale of Dewar's* scotch whisky and Bombay gin to Bacardi-Martini for approximately £1.1bn *($1.83bn), according to exec*utives close to the deal. **Page 15; LMVH duty-free chain freezes payments, Page 16**

Sita Telecommunications Holdings, a global telecoms group, is considering a stock market listing that is likely to value the group at more than $1.5bn. **Page 15**

The European Commission is to speed the creation of pan-European risk capital markets along similar lines to the US. **Page 2; Lex, Page 14**

Russia's equity market seems to have weathered the upheaval caused by President Yeltsin's sacking of the cabinet, with a gain of almost 2 per cent on the week. **Page 19 and Russian rouble; Editorial Comment, Page 13**

Telewest Communications, the UK's second biggest cable operator, said *it is in advanced talks to buy General* Cable, the fifth biggest operator, for £666m ($1.1bn). **Page 16 and Com*ment***

UK management buyouts hit a record £5.25bn ($8.7bn) in the first quarter *while fewer companies floated on the* London Stock Exchange than at any time in the past nine years. **Page 16**

Mediobanca and Monte dei Paschi di Siena, Italian banks, are to adopt changes that are little short of revolu*tionary in preparation for European* Monetary Union. **Page 18**

Mannesmann, the German industrial concern, *has bought a 2.34 per cent* stake in Olivetti, making it one of the biggest single shareholders in the Italian technology group. **Page 18**

Indonesian officials said they had agreed with the International Mone*tary Fund on most issues standing in* the way of a second tranche of $3bn in stand-by credits. **Page 3**

American Business Information *raised* its offer for Metromail, US database marketing group, in a final attempt to see off a competing bid by Great Universal Stores of the UK. **Page 15**

Sidek, the Mexican property *conglomerate*, is attempting to clinch a $1.9bn debt restructuring despite threats from foreign bondholders that could land the company in Mexico's bankruptcy courts. **Page 19**

Meliá Inversiones Americanas, the Latin American subsidiary of Spain's Sol Meliá hotel group, opens its subscriptions period today. *It will place* up to 35 per cent of *its equity on the* market in an *IPO* worth some Pta30bn ($193m). **Page 18**

Arbed, the Luxembourg-based steel group, returned to profits of LFr5.1bn ($135m) in 1997, after a LFr1.2bn loss in 1996, but said it had not *made a decision on whether to restart* dividend payments. **Page 17**

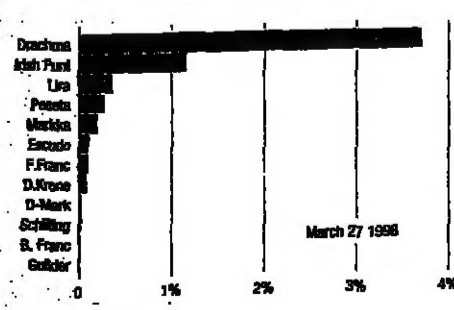
Gold is being produced in Spain *again for the first time in nearly* 2,000 years at the El Valle mine in the north-western region of Asturias. **Page 16**

Tabacalera will be under the Spanish government's control for eight years after the sale of its 52.4 per cent stake in the tobacco producer and distributor next month. **Page 19**

Asticus, the international property group, is considering becoming the first Swedish company to switch its accounting and stock exchange listing to the euro. **Page 19**

Koor Industries Israel's largest industrial holding company, reported a 23.4 per cent fall in net income for 1997 following the shake-up in the telecoms sector. **Page 19**

EMS: GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are per*mitted to fluctuate* within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Currencies, Page 23

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Bahrain Din1.300	Belgium BFr60	Cyprus C£1.35
Denmark DKr21.00	Estonia EKr34.00	Finland FM19.00
France FFr12.50	Gibraltar £0.75	Greece Dr450
Hungary Ft240	Iceland IKr265	Italy L3400
Jordan JD1.75	Kuwait Fils750	Latvia Ls1.65
Lithuania [illegible]	Luxembourg LFr60	Morocco Dh18.00
Netherlands Fl5.00	Nigeria N120.00	Norway NKr23.00
Oman OR1.75	Poland Zl 10.00	Portugal(mainl) Esc280
Qatar QR13.00	S.Arabia SR13.00	S.Africa R13.00
Spain Pta275	Sweden SKr22.00	Syria S£ 80.50
Switzerland SFr3.80	Tunisia Din2.600	UAE Dh13.00

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BMW wins Rolls-Royce auction with £300m bid

By Roger Taylor and Graham Bowley

BMW, the German carmaker, is to take over Rolls-Royce Motor Cars for more than £300m ($501m). Vickers, the engineering group which owns the UK luxury carmaker, is expected to announce today that it has agreed to accept BMW's bid.

The speed with which the deal has been tied up will surprise other bidders, not least BMW's rival Volkswagen. Both had submitted bids last week, with BMW ahead of VW.

VW had been considering increasing its bid but with BMW pressing for a quick settlement, it appears to have been overtaken by the speed of events. Yesterday, VW's press office said it was not aware a deal had been struck.

Vickers shareholders will be pleased that the company has brought the negotiations to such a rapid conclusion. Some feared that by publicly auctioning the company rather than negotiating privately with potential buyers, Vickers had committed itself to a sale without ensuring there was adequate interest from buyers. There were concerns that the process could drag on for several weeks.

The *price of more than £300m* falls below the top end of expectations. The potential value of the Rolls-Royce brand and the company's status as a trophy asset had led some to speculate that Vickers might get £400m or more. However, Vickers will not be unhappy with a price which is more than twice BMW's opening *offer of £150m.*

The decision is bound to produce complaints of unfairness from other bidders. Two other groups made it into the last stages of the auction: Doughty Hanson, the venture capital group, and a consortium of Rolls-Royce enthusiasts led by Kevin Morley, former Rover *Group director.*

Mr Morley's supporters have complained that their approach has not been taken seriously enough because Vickers presumed only a large car company could manage the long-term investment required to maintain the business.

They have also attacked the role played in the negotiations by Rolls-Royce, the aero-engine manufacturer which formerly owned the car company. When it sold Rolls-Royce Motor Cars, it retained rights to withdraw the brand name if ownership moved outside the UK.

However, it has made clear from the outset that it would support a takeover by BMW.

BMW had an advantage because of a close working relationships with both companies; it supplies engines for the Rolls-Royce Silver Seraph car and has a joint venture with the aero-engine group.

Lazard Brothers, the investment bank handling the auction, also received approaches from a variety of interested parties, including several wealthy individuals, but none made it into the final round of bidding. Some, such as the private financier Douglas Llambias, are understood to be angry that they were not allowed to participate fully in the auction process or given proper access to Rolls-Royce *management.*

Vickers said the decision was based both on the value of the bids and on the ability of the company to put forward credible plans for long-term development of the company. This last condition is thought to have counted against financial bidders such as Doughty Hanson, which speci*alises in leveraged management* buy-outs. Its normal mode of operation is to own a business for about five years before selling it.

Rolls-Royce is understood to have suffered from under-investment in the past and is thought to need investment of about £500m over the next five years. BMW will be expected to increase *the speed with which new models* are introduced and may also decide to expand the marque's range to include, for example, a Rolls-Royce sports car.

IMF more vigilant after Asian failure

By Robert Chote in London

The International Monetary Fund *is planning to step up its surveil*lance of countries' economic policies following an acrimonious *internal review of its failure to* predict the depth and breadth of Asia's financial crisis.

The global economic watchdog believes it should be more aggressive in demanding information from member countries. It wants *to build its expertise in financial* systems and ensure market developments are better taken into account in discussions with members. But the Fund remains wary of revealing concerns about a country's policies in public and without *its* permission.

These conclusions emerge from an internal report on the run-up to the Asian crisis discussed by the IMF's executive board late last week. Described as "self-flagellating" by one official, it has nonetheless been criticised by some board members for playing down disagreements between departments.

During the review, regional departments and country desks have been accused by some officials of "clientitis" – failing to raise problems because they are too close to national authorities. They in turn resent alleged "scapegoating" by the research department and the policy development and review department.

"It has been an acrimonious and unpleasant debate," said one senior official. Some board members would like to see more details of the exchange of views between departments, plus an external evaluation of the surveillance process.

In Thailand, the report concludes that "the Fund was clearly aware of the risks associated with the policies being pursued at an early stage, and before a consensus emerged among private market participants".

But while rating agencies and other *commentators* highlighted corporate bankruptcies and banking fragility in Korea from early last year, "the Fund does not seem to have shared the extent of these concerns until the second half of 1997".

The report argues that the Fund should be ahead of the game. "Fund surveillance should presumably not only match, but exceed markets in identifying early warning signals, reflecting the privileged access that the Fund has to policymakers and information," it says.

The IMF's concerns were repeatedly made clear to the Thai authorities, but largely ignored. However, concerns about South Korea, evident in the IMF's internal financial sector analysis, were not raised to the same level of prominence – or communicated to the Korean authorities – until very late in the process.

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Personal view by the IMF's Stanley Fischer, Page 12
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Clinton hears sermon on adultery

US President Bill Clinton takes communion from Father Mohlomi Makobane, priest at the Regina Mundi Roman Catholic church in Johannesburg's *Soweto township*, which was a refuge for many blacks during the last years of white rule in South Africa. Mr Clinton, with his wife Hillary, looked relaxed as he acknowledged the congregation's *rousing welcome. He seemed less* comfortable when Father Makobane based his sermon on the parable of the adulterous woman saved by Jesus Christ from death by stoning. **President's tour, Page 5; Editorial comment, Page 13**

Picture: Reuters

Brussels plans crackdown on employment black economy

By Michael Smith in Brussels

An assault on Europe's black economy is being planned within the European Commission amid estimates that up to 28m people are failing to declare jobs to tax authorities.

Padraig Flynn, EU employment commissioner, wants a campaign against "undeclared work" as *part of plans to increase the* quantity and quality of jobs.

An unpublished document circulated inside the Commission by Mr Flynn's employment directorate argues that jobs in the black economy harm the career prospects of those who do them and deprives states of receipts needed to provide social services.

The paper defines the black market as economic activity that is lawful in its nature but not notified to the public authorities. It says that such activity can be estimated at between 7 and 16 per cent of the EU's gross domestic product. That corresponds to between 10m and 28m jobs, or between 7 and 19 per cent of total declared employment. The figure was estimated at 5 per cent in the 1970s.

Mr Flynn wants member states to take co-ordinated action. He would like policy proposals *included in revisions of employ*ment guidelines to be made each year, following the Union's first summit devoted exclusively to jobs last November.

Undeclared work is concentrated in labour-intensive sectors with low profits such as agriculture, construction, retail, catering, and in modern innovative *sectors. The paper suggests* strengthening penalties against people found working in the black economy and reducing the advantages of failing to declare work. Options range from highlighting the "unsociable behaviour" associated with undeclared work to decreasing tax on income from labour.

The proposed campaign will cause controversy among member states. Some may argue that black economy issues are best tackled individually. The employment directorate hopes the *majority of states would welcome* an EU-wide initiative, since it would enable them to blame Brussels for potentially unpopular measures to crack down on tax evasion.

According to the paper, the biggest black economies are in Greece (29 to 35 per cent of GDP), Italy (20 to 26 per cent) and Bel*gium (12 to 21 per cent)* while Finland has one of the lowest rates at 2 to 4 per cent. The UK black economy is estimated at 7 to 13 per cent of GDP.

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WORLD NEWS

EUROPE

Chernomyrdin strikes out on presidential trail

By Chrystia Freeland in Moscow

Victor Chernomyrdin, Russia's former prime minister, has declared himself a candidate for the presidency, striking back at the Kremlin after his humiliating dismissal last week.

Mr Chernomyrdin's aggressive move at the weekend is a direct challenge to Boris Yeltsin, the president, who may still harbour ambitions of running for a third term and jealously guards the prerogative of naming his successor.

Russia's political rollercoaster took an additional twist yesterday when Gennady Zyuganov, the Communist chief, said his party would not back Sergei Kiriyenko, the prime minister-designate, when his candidacy comes before the parliament this week.

Both announcements were part of a political avalanche set off last week by Mr Yeltsin, who stunned the country by sacking his entire government. In addition to leaving the country without a cabinet, the move intensified preparations for the presidential ballot in 2000 and started speculation the Kremlin may force pre-term parliamentary elections.

Mr Chernomyrdin brought the jockeying for the Russian presidency into the open on Saturday, announcing his candidacy. Although the former prime minister had long been mooted as a presidential contender, his abrupt sacking last week appeared to dim his chances by depriving him of control of the machinery of state.

But Mr Chernomyrdin, whom many observers deem unelectable, has now made a bold bid to seize back the political initiative, saying he will run for the presidency whether he has Mr Yeltsin's blessing or not.

Although Mr Chernomyrdin said he "understood" that Mr Yeltsin backed his decision, he said the president had not yet anointed a chosen successor. Even if that choice were to fall on someone else, Mr Chernomyrdin insisted: "I've taken this decision and I won't step aside." The former prime minister also took a veiled jab at Mr Kiriyenko, the 35-year-old former fuel and energy minister whom Mr Yeltsin has selected as his new premier. "I worked with him about a year... he's quite a serious man... but to talk about him now as a premier, believe me, I think that's not correct," Mr Chernomyrdin said.

His verdict was backed by the Communists. Mr Zyuganov, the Communist leader, said it would be reckless to install the inexperienced technocrat as prime minister, a heartbeat from the presidency and control of Russia's volatile nuclear arsenal. "You cannot confirm just anyone in the post of second in charge of the country," he said.

"With a seriously ill president, the situation could arise where the prime minister would have to take charge of the nuclear suitcase."

However, Mr Zyuganov said the Communists which control 138 of 450 seats in the Duma, the lower house of the Russian parliament, would take a final decision later this week, heightening speculation that his attack was merely political brinkmanship. Mr Yeltsin has threatened to dissolve parliament and call new elections if it does not confirm Mr Kiriyenko.

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Brussels to spur risk capital growth

By Lionel Barber in Brussels

The European Commission will shortly unveil plans to accelerate the creation of pan-European risk capital markets along the lines of the US.

The Commission's proposals are being driven by the imminent launch of economic and monetary union. Brussels believes that the single currency will be a catalyst for consolidation among the 33 regulated stock markets in the European Union.

But officials are also drawing inspiration from the US, where venture capital has spawned dozens of small companies generating millions of jobs – a critical concern in the EU, where more than 18m people are out of work.

A paper to be discussed by the Commission this week identifies several "pernicious" barriers to the growth of pan-European risk capital which it argues are stifling job creation. Proposals include a review of EU and national laws covering venture capital, national tax regimes, and the paucity of new high-technology companies. It calls for action at EU and national level.

- New EU legislation covering "closed end" funds which provide venture capital. This would allow venture capital funds to acquire critical mass by marketing their business in other member states.
- A new "one passport" procedure for small and large companies which would mean that an offer document or prospectus approved in one EU country would be valid in another.
- Possible changes in the Investment Services directive to limit the discretion of host-country supervisors. The Commission suspects that local regulators are using business conduct rules to limit unnecessarily the activities of companies trading in securities.
- The adoption of prudential rules which would allow pension funds to invest more easily in risk capital and increase the proportion of pan-European equity.
- A review of accounting rules in the EU – with a long-term goal of encouraging moves toward common rules covering issues such as deferred taxation and pensions liabilities. This would increase the appeal of European equities for international investors, the Commission believes.

The Commission paper follows a request from EU leaders at last December's summit in Luxembourg to report on the barriers to development of risk capital markets.

EU finance ministers will discuss the paper next month in Luxembourg ahead of the EU summit in Cardiff in June. The British presidency of the EU is working on similar proposals.

The Commission paper says that developing risk capital in the EU is essential for creating new jobs in the EU. But it also lists other barriers such as the "excessive" punishment for failure in business; narrow-minded views about the benefits of stock options and other forms of equity participation for managers; and the lack of importance attached to corporate governance.

Pressure grows on Ciorbea

By Anatol Lieven

A second party in Romania's ruling coalition called at the weekend for the resignation of Victor Ciorbea, the embattled prime minister.

A conference of the National Liberal party declared that "what this country needs now is a strong government, able to take tough reformist steps".

This means that the prime minister is now supported only by his own party, the National Peasants, and to some extent by the UDMR, representing Romania's ethnic Hungarian minority.

According to Romanian officials, an International Monetary Fund team at the weekend expressed concern to Mr Ciorbea from Michel Camdessus, the IMF's managing director, about the effect the political crisis is having on reform. The IMF is worried about the slow pace of industrial restructuring. The Fund is also concerned about the fate of the budget presented by Mr Ciorbea to parliament last week. The budget's austerity measures are supposed to cut inflation from 150 per cent last year to 45 per cent this year, but thanks to tax and price rises inflation for the first three months alone is believed to have reached almost 20 per cent. As part of his effort to get the budget through, Mr Ciorbea last week promised additional spending on agriculture and the health service.

The other party in the coalition, the Democrats, began the political crisis three months ago by calling for Mr Ciorbea's resignation, blaming him for the faltering pace of economic reform. Since then, the splits in the government have brought reform almost to a halt. A new privatisation law was passed in February, but no further significant privatisations have taken place.

Even the leadership of the National Peasants party has agreed in principle that Mr Ciorbea should go. They say, however, that this should only be after the passage of the budget. They fear forming a new government could take weeks of political wrangling, delaying the budget almost indefinitely.

A nationalist leader, Vadim Tudor, said last week: "The only realistic solution is to shorten the population's suffering by organising early elections as soon as possible." All the other main parties oppose this, however, in part because opinion polls have shown the nationalists strongly increasing their support.

Ukrainian election 'peaceful'

Ukrainians went to the polls yesterday (above) to vote in parliamentary and regional elections which may break the deadlock between the leftwing-dominated parliament and the centrist president, Leonid Kuchma, **writes Charles Clover in Kiev.**

While the left wing, made up of the Communist party and the Socialist/Peasant bloc which has frustrated reform efforts of the president, looks set to gain substantial strength from yesterday's poll most analysts do not believe it will win enough votes to gain a 226 vote majority in parliament.

The threat of violence in Ukraine's Crimea region receded yesterday as protests by the Crimean Tatar population against regional elections proved to be peaceful. Last week, the Tatars, which account for more than 10 per cent of the population of Crimea, threatened to blockade polling stations to protest their exclusion from the elections, on the basis that many of them have not received Ukrainian citizenship. **Picture Reuters**

SWISS BANKS 90 DAYS TO AGREE CLASS ACTION SETTLEMENT

Differing views on Holocaust accord

By William Hall in Zurich and John Authers in New York

An agreement by three Swiss banks last week to work towards an "honourable and moral" settlement of the issues raised by their controversial dealings with Nazi Germany during the second world war has been hailed as a "major breakthrough".

Banking observers regard it as a pragmatic response by Swiss banks to head off multibillion dollar class actions by Holocaust survivors which threaten to seriously disrupt their important US business.

The big three Swiss banks – Crédit Suisse, Union Bank of Switzerland and Swiss Bank Corporation – have been given three months to agree to a sizeable lump sum settlement of the US class actions by Holocaust survivors or face the renewed threat of sanctions on their important US business.

However, conversations with both sides in the dispute indicate that there are widely differing views of what was agreed in New York and there is a good chance of several US states, including New York and California, imposing sanctions on two of the world's top 10 banks if substantial progress is not made in bridging the wide gap in expectations within the next 90 days.

There was no formal communique from last Thursday's meeting of a monitoring committee of US state finance officials headed by Alan Hevesi, New York city comptroller. Nevertheless, US officials attached considerable significance to a one-paragraph letter from the chief executives of the three Swiss banks which committed their institutions to work with the World Jewish Congress and the class action lawyers towards a "global resolution" of Holocaust-era issues directly related to their banks.

The agreement creates a centralised process for reaching a settlement and the Hevesi committee will meet again on April 24 to review progress with the aim of having the basis of a deal within 60 to 90 days. It means that the banks will no longer face challenges from several directions. Instead, they can deal directly with the WJC, which is now effectively the trustee of any settlement. In order to ensure that the settlement is enough to forestall any further legal action, it will also need approval from a US federal court.

Stuart Eizenstat, US under-secretary of state, described the agreement as an important indication of the good faith of the three Swiss banks to reach a "just, fair settlement". Mr Hevesi said that it would involve "moral and material compensation" by the Swiss banks which have been accused of financing the Nazi war machine and hindering efforts of Holocaust survivors to reclaim assets.

The big three banks have already spent an estimated $200m on trying to repair their image and they may have to pay between $1bn to $3bn in a global settlement, according to some estimates.

The Swiss banks described the Hevesi meeting as an "important step in the direction of an honourable and just conclusion" of the discussions regarding their wartime role. However, they stressed that the issues can only be answered within the context of the Independent Commission of Eminent Persons, headed by Paul Volcker, former chairman of the US Federal Reserve, which is checking bank files for unclaimed dormant bank accounts of victims of Nazi persecution.

The Swiss bank's insistence on the Volcker committee being the final arbiter of their record will not satisfy Jewish organisations who argue that in addition to returning unclaimed bank accounts of holocaust victims, the banks must also be forced to pay some sort of reparations for aiding the Nazi war effort.

The second big disagreement is on the scope of any global deal. Even if the three banks settle in the US, this will not insulate them from similar legal threats in other jurisdictions, and nor does it prevent smaller Swiss banks, insurance companies and even industrial companies being held to ransom by further US class actions.

Meanwhile, the US authorities have indicated that they expect any global settlement to go well beyond the big three banks and embrace the activities of the Swiss National Bank, which handled most of the Nazi gold transactions, the question of looted art, and possibly the Swiss government.

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Flawed Armenia poll puts US aid at risk

By Selina Williams in Yerevan

Armenia's reputation as a democratic country hangs in the balance as voters go to the polls today in the second round of presidential elections that have been marred by irregularities since the campaign started three weeks ago.

More than just the country's democratic image is at stake in the run-off between a former Communist party apparatchik and the acting president of this former Soviet republic.

Another contested election result could spell the end of hefty foreign aid contributions that have kept the country afloat, ultimately destabilising an already sensitive region, say regional experts.

"It's their last chance to get it right," said a western diplomat. "Another flawed election would be catastrophic for Armenia and it would more than likely affect the amount of aid they get from the US," the diplomat said.

Armenia has received aid from the US totalling $1bn since independence in 1991, making the country the second largest recipient of US aid per capita after Israel.

According to an Organisation for Security and Co-operation in Europe observer mission statement after the first round of elections two weeks ago, violations – ranging from ballot box stuffing to the presence of unauthorised interior ministry personnel – were noted in some 15 per cent of polling stations.

Although some steps were taken after the March 16 vote, including the reduction of the number of mobile ballot boxes for the army and the removal of some election officials, a prosecutor investigating one ballot box stuffing incident in Yerevan was fired last week by the president's office.

Some opinion polls suggest that incumbent Robert Kocharian, the former leader of Nagorno-Karabakh, the region that fought a bitter six-year war with oil-rich Azerbaijan over control of the territory, is running neck and neck with his opponent. But an independent poll, that western observers argue is more reliable, has very different results. The poll estimates that the former Communist party boss, Karen Demirchian, is in the lead with 53 per cent of the vote, while acting president Mr Kocharian is trailing behind with around 36 per cent.

Many Armenians are sceptical the elections will be any different from the 1996 presidential elections and parliamentary elections a year earlier, tainted by accusations of vote-rigging and fraud.

One Demirchian supporter, who was asked if he thought the election would be free and fair, laughed and immediately replied: "No, but I'm still going to vote for Demirchian."

After polling booths close, a team of up to 150 international observers will pay special attention to the counting procedure where many problems had occurred in previous elections.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigila, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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NEWS DIGEST

IMF AND INDONESIA

Accord on $3bn credit and rescheduling near

Indonesian officials yesterday said they had agreed with the International Monetary Fund on most issues standing in the way of a second tranche of $3bn in stand-by credits and that the Fund had given the initial go-ahead for a scheme to reschedule some $80bn in private foreign debt.

"The problem of foreign corporate debt is in fact very difficult," said Ginanjar Kartasasmita, co-ordinating minister for the economy, before talks with Hubert Neiss, IMF director for Asia-Pacific. "Talks on the other four areas are mostly concluded," he added, referring to monetary policy, banking reforms, budgetary adjustments and structural reforms. "Only some details remain." IMF officials have not commented on much of the talks, but were cautiously positive over a government proposal for adapting a debt rescheduling method used in Mexico in 1983. Radius Prawiro, President Suharto's adviser on debts, said yesterday the Fund had already given its approval and was already discussing adaptations for Indonesia.

A likely bone of contention is the level of risk assumed by the government in offering dollars to corporations at a set exchange rate. Bank of Tokyo Mitsubishi has suggested shifting that risk to multilateral and bilateral donors, which would set up a fund of at least $10bn. **Sander Thoenes, Jakarta**

HONG KONG BILL

Dispute over legal exemptions

A political dispute flared in Hong Kong yesterday over government plans to enact a bill that could provide legal exemptions for Chinese state bodies. The bill would preserve a legal practice that existed under British colonial rule by transferring the privilege of exemption to the Hong Kong government and Chinese state bodies. But pro-democracy forces in the territory claim it could undermine the "one country, two systems" formula which underpinned last year's transfer of sovereignty and which promises Hong Kong a high degree of autonomy.

Under the bill, yet to be passed by legislators, the term "the State" includes the Hong Kong government and representatives of China's executive authorities in the territory. This means Chinese official bodies, including Xinhua, the official Chinese news agency, would be exempted from the laws that do not specify a binding effect on the Crown. **John Ridding, Hong Kong**

PHILIPPINE ELECTION

Court rejects Marcos appeal

Former Philippine first lady Imelda Marcos said at the weekend that the Supreme Court had rejected her appeal against conviction for graft and that she was certain to go to jail. Speaking at a a campaign rally, she said: "I was told that it is certain that before or immediately after the Holy Week (next month), I will be jailed."

Mrs Marcos is one of 11 people running for president in the May election. Under election laws, a final judgment of conviction against her would automatically disqualify her from running for president or for any public office. A five-judge panel of the Supreme Court in January upheld a 1993 trial court's ruling sentencing Mrs Marcos to up to 12 years in jail. Mrs Marcos, in an appeal, said her case should be heard by the full bench and not merely by a court panel. **Reuters, Manila**

ANDHRA PRADESH

Industry minister resigns

The industry minister of the southern Indian state of Andhra Pradesh yesterday resigned after his party supported a Hindu nationalist-led coalition in the nation's parliament. "In view of the fact that the Telegu Desam party has cast its vote in favour of the communal Bharatiya Janata party-led government at the centre, I regretfully announce my resignation from the council of ministers of Andhra Pradesh," Bashiruddin Babu Khan said.

The 12 Telegu Desam lawmakers voted in favour of the BJP at the weekend, allowing it to win a vote of confidence in India's lower house of parliament, the Lok Sabha. Atal Behari Vajpayee, prime minister and BJP leader, yesterday hinted that more parties might be included in his 16-member coalition government. Mr Vajpayee thanked Chandra Babu Naidu, Telegu Desam leader, for supporting the BJP and its allies in the confidence vote.

Mr Khan said minorities and secular forces in the state of Andhra Pradesh had supported the Telegu Desam party for many years. "We feel shocked and betrayed, with the TDP casting its lot openly with the BJP," he said. **Reuters, Hyderabad**

INTERNATIONAL MONETARY FUND INTERNAL REPORT ON ASIAN TURMOIL SAYS ORGANISATION MUST DO MORE TO PREDICT POTENTIAL CRISES

Role of surveillance and transparency underlined

By Robert Chote, Economics Editor

"Forewarned is forearmed", the International Monetary Fund argues in its internal post-mortem on the run-up to the Asian financial crisis.

The global economic watchdog concludes that it needs to do more to predict potential crises and to persuade national authorities to take corrective measures.

"Of course, some crises will continue to occur, and there should be no implication that by simply strengthening surveillance procedures the Fund could prevent all future crises," the report argues. "And Fund surveillance risks being ineffective unless members are willing to give full consideration to the views expressed by the international community through the Fund."

The report identifies five preliminary lessons for crisis prevention:

□ Collaboration and the provision of timely and transparent information by the authorities. Over the last two years the Fund has encouraged countries to provide more information to itself and the public. This should be extended to information on the short-term assets and liabilities of the government and private sectors, as well as financial sector data.

The Fund should make it clear to members in annual "Article Four" consultations that they have a responsibility to provide information it needs for surveillance. This includes high frequency data on the true state of foreign exchange reserves. "At a minimum, any shortfall in this regard should be clearly noted, possibly publicly," the Fund argues. But it accepts that compiling timely and accurate data on short-term external debt is a daunting task.

The Fund should also make more use of third-party data and report systematically on market participants' views. The scope of the IMF's data dissemination standards should be extended and, to protect their integrity, subscribers' practices should be monitored and "instances of non-observance handled firmly and expeditiously".

□ The focus of surveillance needs to extend further and more deeply beyond short-term macroeconomic issues. Developments in the banking sector, including the impact of over-extended property lending, the build-up of off-balance sheet liabilities and reliance on short term foreign currency borrowing made the Asian economies very vulnerable. "Effective surveillance will require closer examination of the functioning of the financial sector, at a much more detailed level than was previously required. The Fund will need to strengthen staff expertise, with implications for recruitment and internal training."

The experience of countries with capital controls that insulated them from market turbulence should be examined closely. The development and stability of domestic capital markets and the regulatory regime should be taken into account when assessing a country's vulnerability and advising on capital account liberalisation.

The composition and maturity structure of external debt should be monitored more closely.

□ Surveillance over emerging market economies should pay more attention to policy interdependence and risks of contagion. Some countries mitigated the contagion effects of the Asian crisis by taking precautionary action, so a country's vulnerability to potential shocks should be assessed carefully.

The Fund's assessment of conditions in financial markets and the world economy should therefore be integrated better into its bilateral dialogues with member governments. This could be done "by improving the extent to which the available expertise on capital market issues is disseminated within the Fund, which would both attune the staff and the board more to financial market developments and risks and encourage much-needed human capital development".

> 'The tension between the role of the Fund as confidential adviser to members and as an international watchdog requires striking a fine balance,' the internal report argues

□ The crucial role of credibility and the restoration of market confidence in the Asian crisis underlines the importance of transparency. It is difficult to restore confidence "where markets doubted the coverage and candour of information provided by the authorities". Many countries now allow the IMF to publish Press Information Notices detailing the outcome of their Article Four discussions, but most emerging market economies remain reluctant.

Whether the Fund should reveal its concerns about a country's policies against its wishes is more problematic. This could impede the IMF's dialogue with a country, make it more difficult to calibrate its warnings and make unwelcome messages less easy to convey. "The tension between the role of the Fund as a confidential adviser to members and as an international watchdog, with the broader interests of the international community (including private markets) in mind, requires striking a fine balance," the report argues.

"It seems unlikely the Fund would be more effective in obtaining confidential information and persuading the authorities to respond to its advice if it made that information and its assessment public."

The Fund should promote transparent practices in member countries. The Fund will help its members achieve greater fiscal transparency through surveillance, technical assistance and programme design. "It will be equally important to encourage more transparent practices in the private sector, including by banks and corporations, which will strengthen corporate governance."

□ The effectiveness of fund advice benefits from supportive peer pressure. Conclusions of Fund surveillance should be bolstered through other channels. Regular staff input into a regional surveillance mechanism could strengthen regional peer pressure for the implementation of good policies.

The IMF's behind-the-scenes dialogue with Thailand

1993: IMF warns of risk of overheating in annual "Article Four" consultation with Thai authorities.

1994: Article Four discussions urge tighter monetary policy as land and labour markets show strain. Capital inflows prompt IMF staff to abandon support for dollar peg and urge "greater exchange rate flexibility". But IMF board divided on merits of fixed exchange rate.

1995: Article Four consultation urges tighter fiscal policy. Big current account deficits seen as symptom of overheating. Financial sector judged "healthy". Thais reluctant to raise interest rates and see baht appreciate, while claiming little scope to tighten fiscal policy.

March 1996: Article Four staff mission argues that baht should be allowed to appreciate and calls for fiscal policy tightening of 1-2 per cent of GDP. Staff express concern about rapid credit growth and short-term capital inflows encouraged by Bangkok International Banking Facility. But financial system still seen as fundamentally healthy: mission contains no experts on prudential banking supervision and is not provided with detailed prudential data.

July 1996: By the time IMF board discusses Article Four report, economy clearly slowing. Board now broadly in favour of baht appreciation, but divided over need for medium-term fiscal tightening. Michel Camdessus, IMF managing director, urges exchange rate flexibility in letter to Thai finance minister. He recommends fiscal tightening to reduce current account deficit, but concedes it is a "good" deficit driven by investment. No mention of financial sector.

Autumn 1996: Contacts with Thai authorities intensify as baht faces speculative attacks. Staff continues to urge abandonment of dollar peg, even though this would now imply depreciation rather than appreciation. Staff begins detailed contingency planning for crisis, with surveillance committee meeting several times in Washington to discuss situation.

December 1996: Camdessus visits Thailand. Staff worries about financial sector now acute. They warn that capital inflows are encouraging unwise bank lending and that the banks are exposed to finance companies which are in turn vulnerable to falling equity and property prices.

January 1997: Camdessus writes to finance minister. Urges three-part package: tighter monetary policy to defend baht, tighter fiscal policy to reduce current account deficit and restructuring/closure of troubled financial institutions. Technical assistance offered for financial sector reform. Camdessus says he would not now recommend immediate abandonment of currency peg as long as swift measures calm market fears.

February 1997: IMF staff and management urge action on exchange rate again when it becomes clear that decisive action not forthcoming.

March 1997: Camdessus tells Thais to move on exchange rate at Apec meeting in Phuket. Article Four mission, which now includes financial experts, warns of imminent banking crisis and concludes that financial system "dangerously weak and in need of far-reaching reform". Staff propose up-front devaluation of baht, moving to wide fluctuation band against a basket of other currencies. Scale of intervention to support baht still unknown to staff. Fear that Article Four report will leak prompts preparation of highly unusual confidential assessment for finance minister and central bank governor.

April/May 1997: Thai authorities meet Camdessus and Stanley Fischer, the IMF's first deputy managing director. Authorities pressed for more information on size of remaining foreign exchange reserves and better financial sector data.

June 1997: Authorities tell staff that devaluation "unnecessary and inflationary", but accept case for greater flexibility in longer term. Most IMF board members back greater exchange rate flexibility and urge early action to correct weakness of financial institutions. Board urges Thais to improve data provision and to give Fund more information on state of reserves.

July 2 1997: Thailand floats the baht.

CONTRACTS & TENDERS

White House hits back at sex claims

By Bruce Clark in Washington

The White House counter-attacked *yesterday after* lawyers for Paula Jones, the Arkansas woman who alleges sexual harassment by Bill Clinton, accused the president of withholding key documents and suggested, apparently without direct evidence, that he had once committed rape.

Robert Bennett, a lawyer *for Mr Clinton, said the* Jones camp was resorting to acts of "desperation by reckless and *irresponsible* lawyers who know they have a weak case" and had given *their client bad advice.*

The allegation of rape was contained in court papers submitted by attorneys for Ms Jones to the court in Little Rock, Arkansas which is due to consider her harassment lawsuit on May 27.

Mr Bennett said the Jones team had recycled the rape allegation, involving an Arkansas nurse who has not been publicly named, in full knowledge that the alleged victim had rejected the story under oath.

"They know that [the woman] under oath has denied these allegations," *said Mr Bennett.*

He said his adversaries were using "financial support from the Clinton-haters" as they searched for ways to influence potential jurors and humiliate the president.

Papers submitted by the Jones team included a 1992 letter from Phillip David Yoakum, an acquaintance of the alleged rape victim, in which he apparently reminds her that she had once told him of being sexually assaulted by Mr Clinton.

In his letter, Mr Yoakum is reported to have chided the woman for changing her story about the incident which had allegedly occurred in 1978 during a conference of the Arkansas State Nursing Home Association in Little Rock.

Rahm Emanuel, a presidential adviser, said yesterday it was "outrageous" that the Jones team had made use of this allegation when it *had seen a sworn statement* by the alleged victim which denied the charge.

While the rape allegation seemed hard to sustain, the presidential side faced a less sensational but perhaps trickier challenge in the *form* of accusations that Mr Clinton covered up documents relevant to the Jones case.

The documents in question were letters from Kath*leen Willey, a former* White House volunteer who has alleged that Mr Clinton groped and *fondled* her, against her will, near the Oval Office in October 1993.

The White House *has* tried to counter Ms Willey's allegations by releasing correspondence between her and the president which indicated that they remained on good terms – and she described herself as his "number one fan" – well after the alleged October 1993 incident.

But as the Jones team asserted over the weekend, presidential lawyers had initially *denied the existence of* any such documents – and produced them only when it was tactically advantageous to do so.

When the White House was formally asked, two months ago, to "produce all documents concerning Kathleen Willey" the official response had been that "President Clinton has no documents responsive to this request".

While Mr Clinton declined to comment on these matters to newsmen accompanying *him on his African tour,* his adviser Mr Emanuel in Washington claimed that the Jones camp was "trying to camouflage the failure" of its case by searching for new material, however ill-founded.

Smart cards fail to impress American shoppers

John Authers reports on the results of a pilot programme in New York to test the acceptability of 'stored value' cards

The debate over whether smart cards have a future in the US is set to continue, even as the most ambitious pilot programme yet launched in the country reaches a conclusion this week.

Both Visa and MasterCard, the two largest bank card associations, believe such *cards will be crucial in their* attempt to take a greater share of total transactions in the US. Both now say they regard cash and cheques as their greatest competitors, and believe that smart cards in the form of "stored value" cards will allow them access to smaller transactions at retailers which do not accept *credit or debit cards.*

Card industry executives accept that the existing tech*nology, where cards with a* magnetic stripe make contact via a telephone link to *verify a transaction,* is harder to dislodge in the US than in Europe or developing economies because of low US telecommunications costs.

But there are disagreements over what applications of smart cards – which can potentially carry far more information than a magnetic strip – will finally persuade US consumers to use them.

The pilot programme in Manhattan's Upper West Side over the last six months has tested one application. This is "stored value", where funds are loaded on to a chip, and then debited via a terminal on a shop counter every time a purchase is made. Attractions, which the scheme's sponsors have widely advertised, include *no need for pockets of* change, greater speed, and the ability to keep receipts *and check balances.*

It now seems clear that this function, on its own, *will not be enough to entice* shoppers to use the card. Only 10 per cent of the cards have been used, and many merchants remain reluctant to accept them.

Industry critics suggest that rolling out smart cards could have been done much more cheaply, by adding chips to existing bank cards and later deciding which applications to offer.

Joseph Wallace, a director of System B Division, a company which is developing identification systems for bank cards, refers to the "New York City disaster".

He said: "There's a real market for a direct move to smart cards in some lesser developed countries, like South Africa, where the bulk of the population is unbanked. But in the US there really aren't that many transactions which aren't covered by existing credit and debit cards."

According to Ron Braco, who has headed the project for Chase Manhattan Bank: "Stored value isn't going to move the majority of consumers. There's a need for more value proposition in order to make that happen. We believe that can be accomplished through better ways to load the card, perhaps through the personal computer or telephone."

He also *intends to offer* consumers a choice of loyalty schemes, with each card allowing the possibility of accruing discounts at a particular retailers.

According to Carole Lockie, who runs the project for Visa: "The extra reason to use the card will be a constant increase in convenience."

A key breakthrough here could be the planned extension of the card into the laundries run by apartment blocks in the area. Typically, one load of washing can require six quarters, and focus groups have found that many Upper West Siders resent the regular chore of collecting change.

Increasing volume should in itself help to address the problem of training for merchants and their cashiers. According to Mr Braco: "A number of merchants who felt it was not for them, or *didn't see enough* volume did drop out, but we are still close to our target. There are and there always will be problems understanding a *device* and how to activate it, particularly if volume is low. Higher volume will help traders over *the learning* curve."

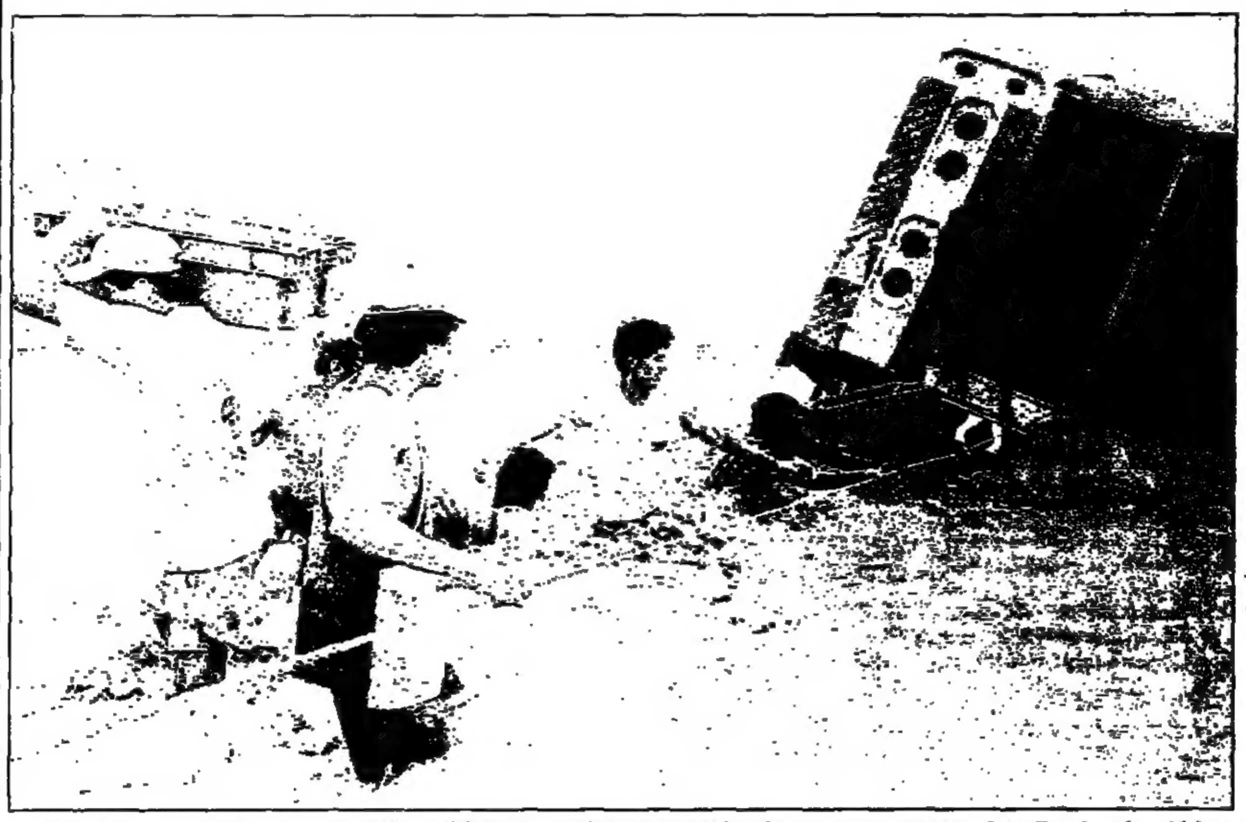
Ms Lockie of Visa said: "We are asking merchants to do something new and different. We have barriers with these merchants, many of whom have never used a terminal of any kind before. And we have barriers of language."

Measures to improve attractiveness to merchants include regular "foot patrols", checking whether there are problems, and publishing "cheat sheets" in a *range of different languages.*

The software for the terminals has been improved during the pilot so that transactions are now quicker. The banks behind the scheme are *also pointing* out to merchants that the cards cut the risk of theft of cash.

But the banks running the scheme are not necessarily *aiming* for big retailers. Large retailers such as the Barnes & Noble book chain and Tower Records, *which* both have a big presence in *the Upper West Side,* are not currently involved in the scheme, and there may be little need for them as most purchases made there are large, and made with credit cards.

According to Richard Phillimore, in charge of smart card implementation for MasterCard: "Clearly we can't offer widespread acceptance yet, because this isn't a national implementation. The other thing is the relevance of the acceptance. We need to find the right merchant sectors, and the heartland for stored value is really self-service, fast food and mass transit – anywhere which needs exact change, or has turnstiles."



An attempt is made to rescue a cargo of fresh fish from a truck that got stuck trying to cross a section of the Pan American highway destroyed by floods caused by the El Niño weather phenomenon near Trujillo, 500 km north of the Peruvian capital of Lima Picture AP

Investors shy from Bolivian changes

By Sally Bowen in La Paz

Foreign investors in Bolivia are growing concerned that free-market rules laid down by the previous administration could be overturned.

Plans for a new stock market law and modifications to the regulatory system are causing particular concern.

The new law requires businesses to disclose information considered confidential by international standards. This requirement was added *to the law at a late stage by* the Bolivian senate.

"We bought into Bolivia on a prior set of assumptions and assurances," said one foreign national. "Any threat of government interference would knock maybe 15 per cent off our eventual share price."

The long-awaited securities law is urgently needed as framework for expected growth in capital markets.

Between 1995 and 1997, Bolivia's largest state-owned companies – in energy, telecommunications and transport – were privatised with 50 per cent of the shares being offered via public tender to foreign investors. The other 50 per cent remained in the hands of the Bolivian people, in a $1.7bn fund administered by two Spanish-owned private pension fund managers. These shares are *still to* be listed.

Vice President Jorge Quiroga and Amparo Ballivian, vice-minister for investment, are aware of foreign investors' concerns, but the International Monetary Fund is pressing for the law to be promulgated by March 31. Ms Ballivian says she has "promised the law will be altered later in an extraordinary congress". Investors are not convinced.

The *supposedly* independent regulatory system, Sirese, often cited as a model for other newly liberalising countries, has been politicised, observers claim.

A string of draft laws has suggested modifications to Sireese, which now has a superintendent-general overseeing and acting as a second-level court for disputes.

It now seems likely the superintendent-general will be replaced by a three-person body – fuelling fears of reduced transparency – and at least one of its *functions* transferred to the comptroller general's office.

Panama rivals in party battle

By James Wilson in Panama City

Opposition candidates hoping to be Panama's next president were *yesterday* fighting the country's first ever primary election for their party's nomination.

Mireya Moscoso, the president of the Arnulfist party, is thought likely to repel a challenge by Alberto Vallarino, a businessman. The Arnulfist party is the largest in opposition to President Ernesto Pérez Balladares.

Although Panama's presidential elections are not until May 1999, the primary contest is being watched for clues to the chances of an opposition victory.

Opinion polls suggest Mr Pérez Balladares – who wants to run again, if re-election is approved in a referendum this year – would win over either candidate. However, Mr Vallarino is *being touted by some* opposition leaders and analysts as offering more threat to Mr Pérez Balladares and his ruling Democratic Revolutionary party than Mrs Moscoso, who lost the presidential race in 1994.

The winner of the Arnulfist party primary will try to lead an opposition coalition *in the 1999 election, to* prevent a repeat of the divisions of 1994 when Mr Pérez Balladares was elected with only 33 per cent of the vote.

Mr Vallarino's supporters say Mrs Moscoso will again be unable to unite the opposition, though polls suggest she commands slightly more support in this respect.

Mr Vallarino's backers have criticised party leaders for holding the primary early, *giving* him little time to mount a campaign. They also denounced a decision to close party membership lists until after the primary. Mrs Moscoso said this week the decision to stop further enrolment was to prevent infiltration from supporters of other parties.

The Arnulfist party is named after Arnulfo Arias, a populist president deposed on several occasions, the last in 1968 when 21 *years of military* rule began. Mrs Moscoso is his widow, while Mr *Vallarino,* nephew of Mr Arias' first wife, has also stressed family ties. Primaries are being held for the first time in Panama under changes made last year.

Venezuela may create post of prime minister

By Raymond Colitt in Caracas

Venezuela's political parties are attempting to improve their bleak prospects through constitutional *reforms, including a contro*versial proposal to create the post of prime minister.

When the idea was first mooted several years ago, the objective was to create a type of "superminister", who would take over some of the routine tasks of the president. Now, the traditional parties, which are still without any promising candidates of their own for December's presidential elections, have re-launched the proposal with an eye to weakening the powers of the presidency.

"They are seeking to tie the hands of the next president," said Friedrich Welsch, head of political studies at the Simon Bolivar University in Caracas.

The social Christian party, Copei, is expected to back a non-party candidate – Irene Saez, former beauty queen and mayor of a Caracas borough. However, it hopes to vest the real power of government in a prime minister of its choice to be appointed by the president.

The social democratic party, AD, also without a popular candidate, favours a prime minister chosen by parliament, where it currently has the largest faction.

Critics say a prime minister backed by the legislature could lead to repeated clashes with the executive in a country accustomed to strong presidential leadership. "It could fracture the distribution of power and elevate the level of confrontation," said Angel Alvarez, professor of politics at the Central University in Caracas. "Raising the power of Congress could provoke crises of governability," especially because the future president is unlikely to have a clear majority in congress.

Another constitutional reform proposed by the leading parties – a second electoral round for all public offices – is also apparently based on short-term electoral interests. Publicly, its promoters say run-off elections would strengthen the mandate of elected officials.

Since 1979 no two consecutive elections in Venezuela have taken place within the same legislative framework.

Haiti factions near compromise

By Canute James in Kingston

Haiti's parliamentary factions are close to a compromise which could end nine *months* of paralysis in the government. Effective government in the Caribbean state has been limited since the prime minister resigned in June after a row over legislative elections amid widespread criticism of *economic reforms* planned by the government.

René Préval, Haiti's president, has renominated Hervé Denis, an economist and part-time actor, for the post of prime minister. The president claims the prospect for Mr Denis's appointment have improved since MPs rejected him when first nominated in November.

The impasse has deprived the country of millions of dollars in foreign loans and aid. Donors and creditors are insisting that a range of economic *reforms, mainly the* privatisation of several state enterprises, are carried out. The sale of state assets, however, is being criticised by influential voices in Haiti, including Jean-Bertrand Aristide, the former president.

The compromise under discussion in parliament is based on making use of congressional elections scheduled for November, and has increased the likelihood that Mr Denis's appointment will be ratified.

Disputes over the administration of congressional and municipal *elections* 11 months ago and criticism of the economic reforms led to the *resignation in* June of Rosny Smarth, the prime minister. Mr Préval has since been unable to find a replacement because of the parliamentary row over the conduct of the elections.

Parliament is controlled by the Organisation for Popular Struggle (OPL), which contends that the April 1997 elections for one third of the Senate were rigged to favour Lavalas Family, a faction controlled by Mr Aristide, which won two seats and was expected to win six more in runoff voting.

A likely compromise between the factions involves ignoring the April elections. Elections due in November would be for two thirds instead of one third of the Senate, with the vote being administered by a reformed electoral agency.

There is doubt, however, that Mr Aristide will allow his faction to accept this *compromise,* particularly if Mr Denis indicates he will press ahead with the economic reforms to which the former president is opposed. The Lavalas Family, which was created by Mr Aristide after he left the presidency, is widely regarded as his vehicle for contesting the election in 2000.

Several senior US officials, including Madeleine Albright, the secretary of state, have visited Haiti recently in unsuccessful bids to broker a solution to the crisis.

US PRESIDENT'S TOUR WASHINGTON SUMMIT PLANNED FOR LEADERS OF 'REFORMING ECONOMIES'

Clinton seeks to step up Africa investment

By Victor Mallet in Johannesburg

President Bill Clinton announced further measures at the weekend to increase US investment and aid for Africa. However, his six-nation tour of the continent has so far been unable to produce any big new private investment deals and he remains locked in a dispute with South Africa over proposed US trade legislation.

Mr Clinton, who arrived in Botswana yesterday on the penultimate leg of his trip, told US and South African business executives in Johannesburg at the weekend that he would convene a Washington summit of the leaders of Africa's "reforming economies" and that this would be followed by regular meetings of finance and economics ministers.

He said he wanted to make sure his African tour was followed up and was not merely "a one-shot event".

According to White House officials, the summit is to be held within three years. Meanwhile, William Daley, US commerce secretary, is to lead a trade delegation to Africa later this year.

Mr Clinton urged American investors to put more money into sub-Saharan Africa, noting that US trade with the region was 20 per cent bigger than with the countries of the former Soviet Union. "I hope they are listening back home. The average annual return on investment in Africa is 30 per cent," he said. "That's a good deal, folks."

Although Mr Clinton and his wife Hillary were accompanied by commerce officials and members of the business community, there has been little news of new contracts. Mr Clinton did say last week, however, that the US Defence Department would buy specialised South African vehicles for removing landmines.

Another problem for the US administration has been vigorous South African opposition to the proposed Africa Growth and Opportunity Act now before the US Congress. It provides for improved access to US markets for countries considered by Washington to be moving towards democracy and economic reform. South African leaders object to such conditions – although their own country meets the criteria – and are likely to have reservations on Mr Clinton's summit proposal for similar reasons.

Mr Clinton also had to fend off suggestions that the US was abandoning aid to Africa in favour of trade. He said he was asking Congress to add $30m to the $700m in aid allocated for sub-Saharan Africa this year and was working to increase the annual level of US aid to the record $830m of 1992.

"Trade cannot replace aid when there is still so much poverty, flooding, encroaching deserts, drought, violence, threatened food supplies, malaria, Aids and other diseases," he said. "A new partnership in trade and investment should not come at the expense of development assistance when it is so plainly still needed."

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Gingrich chides president on Mandela's foreign policy rebuke

Newt Gingrich, speaker of the US House of Representatives, said over the weekend that President Bill Clinton should have argued back when President Nelson Mandela lectured him on foreign policy, writes Bruce Clark in Washington.

At a rally in his home state of Georgia, when he also announced his candidacy for re-election as speaker, Mr Gingrich accused the US president of being too passive in the face of rebukes from the South African leader.

"I feel passionately about explaining to the world our positions," Mr Gingrich said. "If we can't make our case to the world, how can the world learn?"

President Mandela, using his moral authority as the leader of the anti-apartheid struggle, gave Mr Clinton a public lecture on Friday on the need to improve relations with "pariah states" such as Cuba and Libya.

Mr Gingrich said that instead of US policy changing, South Africa should join the US in its blockades of Cuba and Libya – at least until those countries alter their behaviour.

MIDEAST MISSION ROSS EXPECTED TO SEEK MUBARAK'S HELP IN PERSUADING ARAFAT TO ACCEPT US COMPROMISE PROPOSALS

Israel drags feet on West Bank handover

By Avi Machlis in Jerusalem

Dennis Ross, US Middle East peace envoy, has made little headway during his mission to the region, ahead of a third round of talks scheduled last night with Israeli and Palestinian leaders.

Mr Ross is due to travel to Cairo today to meet Mr Hosni Mubarak, the Egyptian president. He is expected to ask the Egyptian leader to persuade Yassir Arafat, president of the Palestinian Authority, to accept US compromise proposals.

But so far, there is no indication that Israel will sign up to compromise proposals on the table.

According to a US proposal under discussion, Israel would hand over 13.1 per cent of the occupied West Bank to the Palestinians as part of a second, long overdue troop withdrawal. Palestinians expect a bigger pullback.

Israel last week offered a pullback from less than 13.1 per cent of the land, but in such a way that Palestinian cantons could be linked together.

Benjamin Netanyahu, Israel's prime minister, yesterday told his cabinet that in the first two rounds of talks with Mr Ross there had been "no discussion" on the issue of how much land Israel would withdraw from. Mr Netanyahu and Mr Ross were expected to discuss the issue at last night's meeting.

Dennis Ross (left) meeting Yassir Arafat in Ramallah over the weekend Picture AP

Israel's cabinet also said it demanded a "clear connection between the stages of implementation of a further redeployment and the stages of implementation of Palestinian commitments".

This condition bolstered Palestinian concerns that Israel might claim Palestinians were not implementing their side of any future agreement, and use this as an excuse not to hand over land.

Meanwhile, in Gaza, Mr Arafat did not rule out accepting an Israeli withdrawal from 10 per cent of the West Bank, saying "this is still under discussion".

Mr Arafat also welcomed a US proposal for a peace summit in Washington with Mr Netanyahu to be attended by world leaders.

■ Palestinian activists yesterday accused the Palestinian Authority of human rights violations, including the deaths under torture of two detainees, arbitrary arrests and restrictions on press freedom, Reuters adds from Jerusalem.

LAW – the Palestinian Society for the Protection of Human Rights and the Environment – also criticised Israel in its annual report on the West Bank and Gaza, saying Israeli security forces tortured detainees and used force against civilians that led to the deaths of 20 Palestinians, including five children.

The report was released less than a month after Palestinian Authority police detained two of the group's members for more than 10 hours for questioning about articles in a LAW newsletter on rights violations.

Khader Shqairat, director of LAW, said there was some improvement in the Palestinian Authority's rights record but violations continued.

He blamed some of them, including alleged arbitrary arrests, "wide-scale detentions" and the closure of 17 Islamic charity organisation, on pressure from Israel and the US on the Palestinian Authority to crack down on Moslem militants.

NEWS DIGEST

UN AND IRAQ

Site inspections going well, say diplomats

The first United Nations visits to Iraq's sensitive "presidential sites" have shown that both sides want to pass the biggest test of a crisis-breaking accord signed last month, diplomats said yesterday. They said Iraqi officials and inspectors alike were flexible enough in recent days to prevent differences during the inspections from escalating into conflict.

Most problems were resolved after brief discussions, say diplomats who under the terms of the February accord must accompany the UN Special Commission (Unscom) inspectors at the presidential sites. Diplomats say many of the problems have hinged on definitions of the precise boundaries of the presidential sites, which were mapped out hastily by UN surveyors at the height of the crisis last month.

Unscom inspectors who have been overseeing the elimination of Iraq's weapons of mass destruction had been barred from entering the eight presidential sites where they thought Iraq could have concealed material related to banned weapons programmes. **Reuters, Baghdad**

EUROPEAN MONETARY UNION

Bavarian PM signals support

Bavaria's regional government would support the introduction of the European single currency next year, Edmund Stoiber, the state's influential prime minister said. The state government led by Mr Stoiber who has been one of the fiercest critics of the euro, dropped its resistance to the single currency at a special cabinet meeting at the weekend.

The move follows publication on Friday of a report by the Bundesbank highlighting "serious concern" on countries' preparedness for monetary union. The German central bank nevertheless supported as "justifiable" introduction of the single currency next year. Mr Stoiber said the Bavarian government agreed with the Bundesbank's judgment. His support for the single currency may now ease friction expected in the parliamentary approval process.

German MPs are due to begin discussion of the convergence reports on Thursday. **Graham Bowley, Frankfurt**

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BULGARIAN NUCLEAR POWER

$300m modernisation plan

Bulgaria has announced a $300m modernisation plan for two nuclear power units at the Kozloduhy plant, but has backed down on a pledge to shut down two older units by the end of the year. Ivan Shilyashki, chairman of the state energy committee, said that an international consortium led by Germany's Siemens group would prepare a modernisation plan for units 5 and 6 at Kozloduhy near the Danube river. The consortium also includes Framatome of France and Russian companies.

Westinghouse of the US will provide equipment for the modernisation. Mr Shilyashki said the companies would provide financing through commercial loans, which would be guaranteed by the Bulgarian government. Bulgaria agreed to shut down units 1 and 2 by the end of 1998 under the terms of an Ecu24m ($26m) loan from the European Bank for Reconstruction and Development for rehabilitating the four older units. However, Mr Shilyashky said the four units would "have to remain in service until 2004 or 2005, when the modernisation of units 5 and 6 is due to be completed". **Theodor Troev, Sofia and Kerin Hope, Athens**

MILLENNIUM COMPUTER PROBLEM GOVERNMENT TARGETS SMALLER BUSINESSES WITH THE AIM OF HELPING TO TRAIN 20,000 STAFF

Blair to launch $167m 'bomb' rescue

By George Parker and James Mackintosh in London

Tony Blair, the prime minister, will today announce almost £100m ($167m) of extra government cash to tackle the millennium computer bomb, amid concern that thousands of businesses are leaving it too late to tackle the problem.

The bulk of the cash will be earmarked to help small and medium-sized companies train 20,000 staff to act as "bomb busters", capable of identifying and resolving problems.

But Mr Blair will also announce extra cash to raise awareness of the problem, as well as promising money to help developing countries reprogramme their computers. His personal involvement reflects a growing fear among ministers that Britain could face months of computer mayhem in 2000, at a time when they are trying to promote the UK as a high-tech nation of the future.

Speaking at a London conference on the problem, Mr Blair will say: "We are working flat out to ensure the millennium is a cause for celebration, not concern."

The millennium bomb will affect many computers and electronic devices, which may not read 2000 as a valid date, interpreting it as 1900. They may corrupt data, crash programmes or fail to operate at all.

Mr Blair will tell the conference, organised by Midland Bank and Action 2000, the official campaign body, that although most businesses recognise the problem, one quarter of companies have yet to take any action.

However, Robin Guernier, executive director of Taskforce 2000, the predecessor of Action 2000, said the government was missing the point by throwing more money at the problem.

"It is not that there is anything wrong with all this money, it is just irrelevant. We believe this is now a national emergency," he said. "What we need is greater levels of transparency and accountability [from utilities, the financial sector and government], which would be far more effective than just money."

Other countries have taken radical steps to force companies to deal with the issue. The Australian Stock Exchange, for example, has told all 1,200 listed companies to reveal plans to deal with the millennium bomb by June 30 or face suspension of their shares.

The £97m government package includes £70m for the training of 20,000 additional "bomb busters", under which companies can receive £1,300 per trainee. The budget of Action 2000, which campaigns to raise awareness of the issue and advise companies, will be increased from £1m to £17m.

John Prescott, the deputy prime minister, will be charged with ensuring that all local authorities set up "bug taskforces".

Meanwhile the UK will also give £10m to the World Bank to mount an international project to help developing countries.

Winners and losers in a three-speed economy

Richard Adams and **Juliette Jowit** look at 'hotspots' in the financial services sector and the contrast with manufacturing

The UK economy has recently seemed to be moving at two different speeds: rapidly growing services outpacing sluggish manufacturing.

But a look at the real economy shows it moving at not two speeds but three. The lion's share of growth has come from hotspots in the service sector. Away from the pace-setters, the rest of the sector is travelling at a slower rate – but still ahead of manufacturing.

Among the fastest in the fast lane has been the information technology industry, where competition for skilled staff has become intense. In Birmingham, the UK's second largest city, one recruitment agency reports that it cannot find computer programmers for less than £80 ($133.60) an hour.

Pertemps, a national recruitment agency based in the English Midlands, is spending more than £1m on IT recruitment this year. But the company still cannot fill 4,500 vacancies for jobs paying up to £1,000 a day.

"It is literally 10 jobs registered each day for every one person registering to work," said Tim Watts, Pertemps' chief executive.

The shortage is driven by demand for programmers using new generation information systems, and for those who can help tackle the "millennium bomb".

Demand for IT staff is strongest from the business and financial services sector, the fastest growing part of the UK economy.

Business and financial services includes insurance companies, banks and real estate, and makes up about 20 per cent of UK output. Its growth is higher than the boom days of the late-1980s.

In contrast, the UK's manufacturing sector is slightly larger at 23 per cent, but has been hardest hit by the strength of sterling and higher interest rates. Yet the rapid growth in services has led to the Bank of England raising rates to stop the economy overheating.

Robert Barrie, UK economist at Credit Suisse-First Boston bank in London, has estimated that growth in 80 per cent of the UK economy – excluding business and financial services – has already slowed to below the UK's trend rate of growth.

The rise in UK interest rates has been one of the reasons behind the rise in sterling since mid-1996. And the impact on manufacturers, such as toolmakers Jones & Shipman based in Leicester in the Midlands, has been severe: the more than 20 per cent appreciation in sterling has halved the company's exports from two-thirds to just over a third of its sales.

Abroad, where the company is keen to hang on to hard won markets, margins are being squeezed. At home, competition from overseas rivals, made cheaper by the currency movement, is threatening domestic business.

Apart from lost business, currency translations alone cost the company £250,000 on £9m sales at the interim stage last year, and John Wareing, chief executive, does not expect much change this year.

Trade to Asia has also suffered. Orders worth £2m a year from South Korea have fallen to zero – which Mr Wareing blames on Asia's economic troubles and the strength of sterling.

The pressure has forced Jones & Shipman to consider shifting manufacturing from its Leicester base to a newly-acquired US subsidiary.

If sterling rises much above DM3 to the pound, Mr Wareing believes many companies will crack.

"Then it's not just Jones & Shipman and exporters in the engineering industry, it's the whole economy that's going to suffer," he warned.

Taking a pounding: John Wareing of toolmakers Jones & Shipman — Chadwicks, Leicester

Proposals to modernise parliament abandoned

By Liam Halligan, Political Correspondent

The Labour party's plans for significant modernisation of the House of Commons have been abandoned after intervention by Tony Blair, the prime minister, to prevent the Victorian splendour of the state opening of parliament being scaled down.

Proposals have also been rejected to recast the Commons debating chamber as a "horseshoe". However, senior party managers agreed that many of parliament's more arcane procedures could be used to tactical advantage. Modification of the traditional face-to-face seating has been under consideration by the Commons modernisation committee. Ann Taylor, leader of the House and committee chairman, has been keen to adopt the semi-circle used in most modern legislatures.

But senior ministers have decided to retain the existing adversarial format, arguing that over-crowding on the government benches is due only to Labour's unusually large 178-seat majority.

Mrs Taylor – described by one leading Conservative MP as "blissfully unaware of the historic dignity and importance of her office" – has had many of her modernisation plans rejected by more senior government members.

The move will also disappoint Liberal Democrats, who share the opposition benches with the Conservatives, Ulster Unionists and minor parties. "We discussed the horseshoe proposal with Labour thoroughly," said one Liberal Democrat. "They had agreed it would induce a less hostile atmosphere."

Mr Blair has insisted that the Queen's Speech – which outlines the government's legislative programme – and all aspects of the related ceremony, must be kept. "It's not pompous," a cabinet minister said. "Tony likes the ceremony and the tourists also enjoy it."

Plans to adopt push-button voting at Westminster, also promoted by Mrs Taylor, have similarly been abandoned, despite widespread complaints that the existing practice of MPs walking through voting lobbies wastes time and makes for late-night sittings.

"We've killed the idea," said the minister. "The lobbies have worked for years and they give MPs access to ministers and to each other."

Mrs Taylor's plans to strip Commons attendants of their historic costumes – including powdered wigs, buckled shoes and swords – have also been dropped.

Chancellor is warned on 'junior' market

By James Mackintosh

The Stock Exchange has warned Gordon Brown, the chancellor of the exchequer, that tax changes in the Budget could damage Aim, the junior market. In a letter to the Treasury it said a third of companies listed on Aim could face liquidity problems after a clampdown on tax breaks for private investors, who dominate the market.

The intervention of the exchange is a boost for the growing lobby calling on the government to back out of the changes and leave the tax break – reinvestment relief – as it is.

The relief allows wealthy investors to defer capital gains tax by buying shares in certain companies, with about 30 per cent of Aim companies qualifying. But Budget changes designed to funnel investment into the smallest, most risky businesses will limit relief to new issues of shares in companies with assets of less than £10m. The exchange fears this could lead to a loss of liquidity as private investors abandon Aim and head for safe blue chips.

The exchange has asked for a meeting with Treasury officials to explain its position. It hopes to bring competing investment houses specialising in the area, including Close Brothers and Singer & Friedlander, to lobby Whitehall.

The British Venture Capital Association, which represents institutional funds and venture capital trusts, said it would also be pressing the government to leave the rules on qualifying companies unchanged.

Analysts believe companies above the £10m limit but below the £75m or so market capitalisation needed to move to the main market will suffer. Share prices of certain qualifying companies have been pushed up by a rush to take advantage of the tax break before the end of the tax year, they said. David Porter, an Aim analyst at Best Investment, said some would fall back as a result, but the main effect of the tax changes would be a loss of liquidity rather than a general share price drop.

David Poole, a director of Singer & Friedlander, said turnover in qualifying companies could fall significantly if the government did not back down. "It seems the government may have made an unwitting mistake," he said. "Does this government favour an active secondary market for companies that haven't quite got the oomph to make it to the main market, or does it not?"

NEWS DIGEST

LABOUR PARTY DONATIONS

Opposition pressures PM over leaked document

The prime minister's links with big business were called into further question by opposition Conservatives yesterday, after a leaked Labour party document suggested that party donors should have regular access to Number 10 Downing Street, the prime minister's London office.

The paper, written by a member of Labour's fundraising team, proposed that Number 10 and Tony Blair could be used to attract potential big donors and help raise more than £15m ($25m) by 2002. The document was dismissed by Labour officials as a discarded draft, but it was seized upon by the Conservatives, who claimed it was proof that Mr Blair was prepared to abuse his office in the interests of party fundraising.

David Heathcoat-Amory, shadow Treasury chief minister, said he would be writing to the cabinet secretary, asking for an investigation. The document rekindled the controversy about Mr Blair's relationship with senior business leaders who have helped the Labour government.

Last year, Mr Blair was embarrassed by the disclosure of a £1m donation from Bernie Ecclestone, the Formula One chief, and last week he had to fend off criticism that he gave preferential help to Rupert Murdoch, the media tycoon whose Sun newspaper has recently become a convert to the Labour cause.

Senior Labour figures were quick to dismiss the fundraising document as the work of a relatively junior member of staff, which had quickly been ditched. **George Parker, London**

TRUCK DISPUTE COMPENSATION

Hauliers' payments welcomed

The prime minister's office yesterday welcomed news that British hauliers have made a breakthrough in their 18-month battle for compensation, arising from the bitter French truck disputes in 1996 and 1997. An initial payment to 149 hauliers has been approved, and all other companies that previously had claims rejected are being encouraged to submit fresh applications.

It is thought the hauliers are being offered about £200 ($334) per vehicle for each day of the blockade, which strangled freight traffic in November 1996 and in a shorter dispute in November 1997. Tony Blair, the prime minister, raised his concern about the delayed compensation payments with Lionel Jospin, his French counterpart, in Paris last week. The subject was also raised at the recent London "summit" between Tony Blair and Jacques Chirac, the French president. More than 1,000 British truck drivers were trapped in the two disputes. They have accused the French government of dragging its heels in settling their claims for compensation, which exceed £1.5m. **George Graham, London**

CONSERVATIVE PARTY

Leader admits wage dilemma

William Hague, the leader of the opposition Conservative party, yesterday said a Conservative government might not scrap the proposed national minimum wage, despite insisting that it could lead to job losses.

Mr Hague said his party would continue to oppose the government's proposals, but admitted they might be forced to live with the minimum wage once it had been established. Senior party officials admit it would be hard to fight the next election with a pledge to take away from low-paid workers their newly increased wages. Mr Hague said the Tories would assess the impact of the minimum wage on the economy, before deciding what stance to take at the next election.

Mr Hague was speaking in the aftermath of a successful Conservative Central Council conference in Harrogate, Yorkshire, in which 96 per cent of the party backed his package to reform party democracy. The reforms, which give party members a greater say in the election of the Tory leader and election candidates, also create a national membership list for the first time.

Mr Hague set the party the ambitious target of doubling its membership from 330,000 in just two years, adding that one-half of all new members should be younger than him; last week he celebrated his 37th birthday. **George Parker, London**

DEBIT CARDS

'Plastic' spending up by 276%

Francs, D-Marks and Lira will soon be replaced with euros. But the Briton abroad already has a universal currency: the plastic card. According to figures from Europay, owner of MasterCard, the amount spent outside Britain using UK debit cards shot up 276 per cent last year.

The trend towards plastic has long been evident in this country but resistance to foreign use and problems with compatibility of cards has seen the overseas market for UK cards grow more slowly. However, an increasing number of retailers accepting cards combined with the lower cost of currency conversion when paying with plastic is removing the barriers to foreign use. Banks and Europay have also been promoting the "security and convenience" of using a card abroad.

John Bushby, Europay's UK manager, said much of the growth came from cash machines abroad, with cardholders withdrawing money as they needed it "rather than carrying huge amounts of cash around with them". **James Mackintosh, London**

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30 March 1998

INSIDE TRACK

PROFILE MINORU MORI

Chip off the old building block

The Japanese property bubble may have burst but the billionaire is putting his money on an upturn, write **Paul Abrahams** and **Gillian Tett**

Minoru Mori was once, along with his brother Akira, the third richest man in the world. Their sprawling $13bn (£8bn) Tokyo property empire propelled the two Japanese brothers to the heights of Fortune magazine's 1993 list of the world's wealthiest people. They were tucked in just behind the Sultan of Brunei and the Mars family.

The Mori brothers are poorer now. Last year, they were listed in only 42nd place on Forbes' list, owning net assets of – by their previous standards – a miserable $5.2bn.

Their relative fall from grace was sealed by the 70 per cent collapse in the value of the Tokyo property market after the bubble economy burst.

But Mr Mori, a vigorous-looking 63-year-old with a taste for hand-tailored English suits, is undeterred. His company, Mori Building, remains Japan's third largest developer. Against the odds, he has continued to make a profit throughout the slump.

Now, in spite of Japan's recession, he is predicting an upturn in the Tokyo property market. On the seventh floor of his headquarters in Ark Mori building, not far from the heart of the Roppongi night-life district, he is laying out his recovery strategy.

"I want to double my rental income by the year 2002," he boasts.

He is putting his money where his mouth is. The Mori group – consisting of Mori Building and about 18 associated companies – has spent Y300bn (£1.4bn) on land in central Tokyo. These companies are investing a further Y430bn to develop seven sites, including Y250bn on a huge complex in Roppongi's prestigious six *chome* (district). This year, the groups are expected to invest as much as Y180bn in Tokyo developments.

His ambitions are not limited to Japan. He is also investing, in spectacular style, in China. Work has already begun on Mori Building's 95-storey tower in Shanghai, which will be the world's tallest building – bigger than the Sears Tower in Chicago and the Petronas Towers in Kuala Lumpur. It is an audacious gamble, apparently at odds with Mori Building's traditional conservatism.

Mr Mori has a lot to live up to. His father, the late Taikichiro Mori, who built up the business, had a middle-class upbringing. Taikichiro's father had been a rice merchant who owned about 30 properties in Tokyo. Although Taikichiro had managed this modest property portfolio part-time while working as an academic, he only really began building the business after 1959 when, at the age of 55, he retired from his job as head of economics at Yokohama City University.

He is also investing in China. Work has already begun on Mori Building's 95-storey tower in Shanghai, which will be the world's tallest building

Over the next 33 years, through his skill in collecting more than 80 office buildings, mostly in Tokyo's prestigious Minato ward, Taikichiro became known as the "landlord of Tokyo".

Despite the huge wealth he amassed, Taikichiro maintained a modest lifestyle, neither smoking nor drinking. He wore traditional Japanese clothes and, until the late 1970s, lived in what he described as a cold and draughty house. In short, he refused to change his spending habits from those of a university professor.

Minoru Mori, by contrast, has developed expensive tastes. He is the world's largest owner of Corbusier paintings, with, he says, a "a collection bigger than that of London's Tate Gallery".

If he is to maintain such a lifestyle, Mr Mori – having weathered the worst property slump in modern Japanese history – must show he has what it takes to grow the family business. He aims to do this by keeping rental revenues from his properties high, while keeping down construction and financing costs.

On the revenue side, the Mori empire continues to obey the traditional real estate tenet of "location, location, location". The new generation of Moris have not meddled with their father's tactic of concentrating nearly all their buildings in Tokyo's Minato ward.

Mr Mori rather smugly points out that, while occupancy rates are rising in the three central wards of Minato, Chuo and Chiyoda, elsewhere the Tokyo market remains weak.

"Yokohama, Chiba and Kawasaki were all quite popular during the bubble, but they are performing not at all well at the moment," he says. Naturally, he has no property in these districts.

The Mori businesses have also been able to expand because of their ability to convince owners of small parcels of land to sell. "It's a real problem. At one time there were 120m realtors in Japan. But owning these small sites did not bring value. You have to add them together," he says. A lack of local knowledge might make it difficult for US investors to exploit the present market, he believes.

"There are two types of American investor. Those that want to pick up non-performing loans with the aim of selling in five years. They want to get in and get out quick. Then there are those who want to acquire property and are looking for yield in the long term. Apparently neither has succeeded in finding anything satisfactory. Property with bad loans tends to be too scattered, and it is difficult for foreigners to make a decent return on them."

Once he has collated and developed his sites, Mr Mori maintains relatively high rentals from his properties by constructing high quality buildings, designed to resist Japan's severest earthquakes. He adds further value by incorporating cultural elements. At the Roppongi six *chome* complex, for example, he is planning an art gallery. "By placing the Suntory concert hall near our Ark Hills headquarters we created a cultural district. With the Roppongi six-chome site we'll do the same thing.

"We've already concluded negotiations with the New York Museum of Modern Art, and we're still talking with the Tate Gallery in London and the Pompidou Centre in Paris. The aim is that every one or two years they send us an exhibition." However, he dismisses any suggestion that he might donate his Corbusier collection to the museum.

As for financing, last year Mori Building renegotiated a sizeable proportion (though less than half) of its Y450bn net debt. He also raises the possibility of using project financing. "Japanese financial institutions tend to be unwilling to lend against property. The Japanese have lost the financial strength to develop sites for themselves," he says.

Mr Mori has local expertise, relatively high-yielding properties and low financing costs. Yet doubts persist. The scale of his expansion is breathtaking and the dangers of developing so many sites simultaneously, especially in high risk areas such as China, are very real.

Mr Mori admits the market in Shanghai is depressed, although he says this does not apply to quality commercial space.

"When the Empire State Building was finished during the depression in the 1930s it was called the Empty State Building. I just hope it won't be like that."

THE ESSENTIAL GUIDE TO MINORU MORI

Minoru Mori was not born with a silver spoon in his mouth.

His father was an academic and had some scattered land holdings in Tokyo that the university professor managed while not teaching economics.

But by 1959, when Minoru graduated from the elite University of Tokyo, he decided that rather than work at one of the all-powerful *ministries or big industrial* conglomerates, he would join his father in his retirement job – running the family property company.

At just 25, he became managing director of Mori Building. True to Japan's tradition of lifetime employment, he has never left the company.

Over the next 31 years, together with his father, he helped transform Toranomon, an area near the Akasaka-Roppongi nightlife district. Where they found wooden buildings and narrow roads, they left concrete skyscrapers.

In doing so, they also generated a vast property company, with more than 80 buildings in the centre of the city.

As property prices rocketed in the 1980s, so too did the family fortune.

At one point, it was estimated at $13bn (£7.7bn), making his father the richest man in the world.

When his father died in January 1993, it was Minoru, then 58, rather than his older brother, who took over as president and chief executive. That was the wish of his father.

He took over the company after the property market had peaked and was about to slide 70 per cent. But the conservative policies of the group allowed it to endure the downturn.

Now, Minoru is expanding the Mori empire at breakneck speed, developing seven sites in central Tokyo and the world's tallest building, a Y75bn (£347m) tower in Shanghai that should be 460m high when completed.

When asked what it was like to be the son of the world's richest person, Minoru response was: "The richest man has to have cash. I have only assets."

LUCY KELLAWAY

Bonus points for graceful acceptance

A chairman and chief executive were doing a bit of clever PR when they asked not to be considered for an annual bonus

A big hurrah for Lord Alexander and Derek Wanless at NatWest bank. A big boo for Martin Taylor and Andrew Buxton at Barclays bank. The first two looked true gents last week when it emerged they had asked not to be considered for an annual bonus in view of their bank's dodgy performance. The second two, by contrast, looked pretty grasping when they collected theirs.

On second thoughts, maybe not. Never mind the question of who deserved what – Barclays did better than NatWest last year, although both did badly. Since when has a bonus been at the boss's discretion?

Surely bonuses are up to the remuneration committee, which is meant to decide according to independent criteria whether the boss deserves one or not. If he is deemed to merit a bonus, he should take it. If not, then he shouldn't.

Could it be that Lord Alexander and Mr Wanless thought that their committee might actually recommend bonuses for them after such a gruesome year for the bank? The thought is a frightening one.

More likely, they were doing a bit of clever PR – accepting the inevitable and making it look graceful. Simply to announce that the chairman and chief exec did not get bonuses underlines the fact that the company did badly. But to announce they have asked not to be considered for one makes it look as if they are doing their bit for shareholders.

If the UK way of allocating bonuses sometimes seems a little strange, then consider the US system. Green Tree Financial, a company that lends money against mobile homes, has written $390m off last year's profits, after adopting a "less aggressive" style of accounting.

And how did the boss, Lawrence M. Coss, react to this sorry state of affairs? He did the decent thing and gave the company back $23m in bonus payments. Or was it decent? His original bonus was $102m, so that still left him $79m to play with.

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Here's a clever new way of padding out management books: leave blanks for readers to fill in for themselves. Many management writers have laboured with the problem of how to stretch a thin idea to make it fill a book, and over the years they have resorted to flow charts or jargon.

But Kevin Thomson, the author of *Passion at Work*, has come up with the winning idea of drawing lines for the reader to write on. Thus he asks you to consider two shapes, a square and a triangle. He then fills in space with a large picture of each, just in case you needed reminding what a square or triangle look like.

The next page is left blank for you to write details of which shape you prefer. And so the book goes on for 220 pages. Given the market's appetite for easy-to-read management books, I expect this one to sell very well indeed.

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If you were a bit nicer, might you be less successful? A High Court judge evidently thought so last week, when he awarded an insurance salesman compensation for loss of earnings after a car accident changed his personality. Charles Cornell used to be pretty aggressive, but as a result of the crash, he lost his pushy edge and is now much nicer. His family prefer the new version, but his employers prefered the old one.

However much we are taught that softer, nicer business skills count, the judge, in awarding compensation, saw all this to be baloney. The real business world is as hard as ever, and an aggressive personality is as much of an asset as it always was.

The only difference is that these days you have to be more subtle about it. *Seeming* nice is definitely an advantage if you want to shift a little life assurance. *Being* nice is something else.

Still on the subject of the right personality for the job, I was interested to read Professor John Hunt in the FT last week advising all business leaders actively to promote a personal failing. According to him, good leaders should decide on an area of weakness, and then frequently refer to it when talking to underlings. The idea is that this makes them seem more human, and provides a focus for subordinates' dissatisfaction.

That may be excellent advice, but is surely hard to bring about. The most obvious failing of most chief executives is that they are weak on self knowledge, especially of the negative variety. And any leader who has the sophistication and wit to select and promote an appropriate weakness, is unlikely to need this sort of self-conscious trick. Chances are they will come over as human anyway.

INSIDE TRACK THIS WEEK

TOMORROW
Management: John W. Hunt advises on what makes a good leader: the trick is to emphasise your difference while showing your vulnerability.
Plus: Business and the Law: what happens when *cargoes go missing?* John Mason on the problem of shipping fraud that has bedevilled the industry from its beginnings and how ship owners fight it.

WEDNESDAY
Information technology: *Is an end to nightmare* flight delays in sight at last? How IT is being used to smooth out such problems at Europe's airports.
Plus: John Kay's regular column. He looks at why some industry structures are highly concentrated, while others are not.

THURSDAY and FRIDAY
Current issues in management and technology.
Including: Vanessa Houlder's Worth Watching column – our guide to the latest scientific developments.

European airports hope to benefit from advances in IT

BUSINESS EDUCATION SAUDI ARABIA

Prudent investment in bankers' training

Robin Allen looks at Saudi attempts to boost the efficiency of a traditional system

"Public relations" and *"interaction with the public"* are not concepts normally associated with Saudi Arabia's central bank, the financially orthodox Saudi Arabian Monetary Agency. Professionalism, prudence and aloofness are more SAMA's watchwords.

"We are careful to ensure we have a sound banking system," says Hamad al-Sayari, SAMA's governor, with a smile. "Take it or leave it; we are guardians of the currency, defenders of monetary faith – not activists in search of public approval."

But prudence can also allow for a measure of innovation. At SAMA's Institute of Banking, a team directed by Abdullatif Ghaith, IOB director-general, and Hadi Belazi, a doctor in linguistics from Cornell and head of the IOB's English department, has just embarked on a programme to train Saudi bankers.

The programme is being run jointly with the university of Michigan and some of Saudi Arabia's commercial banks. The aim is to help bankers improve their teamwork and leadership skills, tune in better to their customers' needs, and enhance their ability to "manage change".

Young Saudi bankers are among the country's elite professions. These days, if an ambitious graduate cannot find a place in the religious hierarchy or the bureaucracy, and has no family company that he might reasonably expect to take over from his father or uncle, he may go for a career in banking.

Compared with other professions, the average ratio of Saudi nationals in the country's commercial banks is high: between 60 per cent and 70 per cent of the staff, according to the IOB, although the figure is more like 50 per cent, according to commercial bankers.

'We are guardians of the currency, defenders of monetary faith'

But one thing sets the IOB's management development programme apart from other bank training institutes set up in oil-rich Gulf countries, where students are taught "banking" in a classroom before they start their careers. The IOB plucks Saudi nationals from any one of the kingdom's 11 commercial banks, where they must already be in charge of a four or five man department at middle management level.

"Our candidates have to have had at least three years' banking experience," says Mr Ghaith, who is not a banker himself but has a doctorate in chemistry from the university of Arizona. "They have to be branch manager or department head."

How could an outside management training course help a Saudi banker without duplicating the investment his own bank has already made in him?

"By emphasising," replies Mr Ghaith, "not the micro-skills of banking: but by putting him with his peers to better learn how to work as a team, managing change and people. We want to let the candidates step back and focus as a team on how best to meet their customers' needs."

Two years ago the IOB formed a steering committee of general managers and managing directors of the 11 national and joint venture banks. Beneath this, they formed a working group of training managers, which made a study of how team and change-management skills could be better taught outside the immediate environment of the bank.

What emerged was the idea of a five-and-a-half month course. This combines five weeks of intensive classroom studies with selected bankers in a hotel at Jubail, on the Gulf coast, away from families and friends, and the bright city lights of Riyadh and Jeddah with six weeks at the IOB and a similar period back in their banks.

The first two weeks are spent trying to instill the importance of team work; the imperative and nature of change; how to lead change "sensitively and effectively"; and how to focus on the customer.

Three further weeks of the same training are separated by three two-week periods in their own banks under the supervision of members of the working group and Mr Belazi.

The first course started on February 14 and will run to the end of July. All but two of the country's 11 banks are taking part, each paying SR70,000 (£11,100) for its candidate.

Since the programme is in its infancy, it will be years before an intelligent assessment can be made of whether the country's banks, and equally important their customers, are getting value for money.

The IOB studiously avoids any reference to "competition", since the very word implies the potential for disagreement. Nor does the IOB envisage the possibility that one bank may try to steal another bank's bright student during the course.

In Saudi Arabia, as with other Gulf monarchies, every initiative launched from the top is deemed a success if senior officials declare it to be so.

Given that official declarations are always "positive", the course will be judged a "success". But the jury – banks, their shareholders and clients – has yet to convene.

MBA COURSES PILGRIM MANAGEMENT

Western business skills to put locals in top jobs

In April, 2.5m pilgrims will converge on a single site at Mecca, in Saudi Arabia, for the annual Haj. To deal with the logistics, managers from the Haj ministry will this year have been trained by Khobara, an organisation set up by prominent Saudi educationalists to bring high-level management training to Saudis.

The aim of Khobara, or "guide", is to train local people to take over top jobs in the kingdom which are today filled by Europeans and Americans. To do this, it will use the traditional tool of management training: the MBA programme.

Khobara is now in final negotiations with business schools in the US and the UK to develop full-time, part-time and distance learning programmes as well as shorter executive courses, and adopt the UK's national vocational qualifications.

Haluk Savas, head of international business development at Khobara, believes the first programmes could start in June or July, with a large number beginning in autumn. "The idea is to bring international norms to Saudi Arabia," he said.

Faculty from Europe and the US will be flown in to teach the programmes, which will be in English. Khobara will run a business English course to help those who are not up to scratch.

In the short term Mr Savas envisages about 300 students studying at Khobara, with more than 45 MBA students enrolling each year.

As for the programme for the Haj ministry, Mr Savas believes this will eventually develop into a specialist MBA course: an MBA in pilgrim management.

Della Bradshaw

NEWS FROM CAMPUS

Researching the gender imbalance

Why are there so few women on MBA programmes? An intensive study to understand why women are under-represented on MBA courses has been launched by the University of Michigan business school together with the Centre for the Education for Women at Michigan and Catalyst, an organisation which works with business to advance the role of women.

While enrolment of women in medical and law schools in the US is routinely more than 40 per cent, but they fill less than 30 per cent of places on MBA programmes.

The three bodies are hoping to involve top US business schools in the year-long study, which will examine why women do or do not pursue MBAs, what they say the environment is like and how the resulting jobs are perceived.

The research is sponsored by a consortium of 13 companies including big MBA employers such as Chase Manhattan, Citicorp and McKinsey & Co.
Michigan: www.bus.umich.edu

Tuck turns to video technology

Distance learning technology combined with face-to-face teaching will be used to train a group of Japanese business people in global strategy.

The programme, *Implementing Global Strategies for the 21st Century*, has been devised by the Amos Tuck school of business administration at Dartmouth College in the US and the graduate school of international management at the International University of Japan. It will begin in April and take place on Thursday evenings and Friday mornings over six weeks. Six to eight companies are expected to participate.

At the heart of each module will be an interactive videoconferenced seminar led by professors from the US. In Japan IUJ faculty will carry out a pre-seminar briefing and subsequent discussion.
Amos Tuck: www.tuck.dartmouth.edu

Big plans for small companies

Job creation is the focus of this year's European Small Business Seminar to be run by the EFMD (European Federation for Management Development) from September 16. The seminar will be hosted by the Austrian Chamber of Commerce in its Vienna headquarters.

The seminar is intended for anyone involved in the development of small companies – banks, chambers of commerce, business schools – and aims to encourage research and the sharing of best practice. The 28-year-old seminar also plays host each year to the EFMD/Deloitte & Touche European Small Business Person of the Year Award for which the EFMD is now seeking nominations.
EFMD: www.efmd.be

● The directors of Europe's Chambers of Commerce are to get their own training programme to help maintain standards and to network among each other. The programme, in Munich from August 31 to September 4, is organised by Brussels-based Eurochambres, the association of European chambers of commerce.
Eurochambres: www.eurochambres.be

First for Hong Kong

The Hong Kong university of Science and Technology is to be one of the first schools in Asia to be accredited by the American accreditation body, the AACSB.

The business school, which recently inaugurated its joint executive MBA programme with the Kellogg school, at Northwestern University, was established in 1991.
HKUST: Hong Kong, 2358 7533

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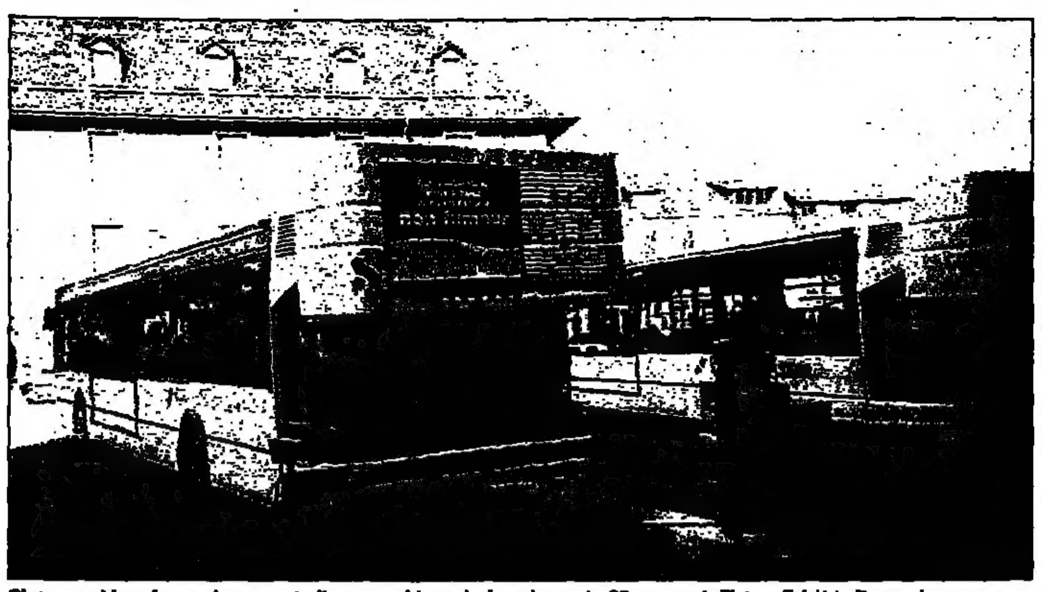
INSIDE TRACK

TECHNOLOGY GREEN FUELS

Diesel, water and a secret ingredient

David Owen on Aquazole, a fuel that promises to make dirty, smelly buses a thing of the past



Clean machine: Aquazole can cut nitrogen oxide emissions by up to 30 per cent. Picture Frédéric Barnaud

Everyone knows that oil and water do not mix. Diesel and water, however, is a different proposition – or so a product being developed by Elf Aquitaine, the French oil group, appears to demonstrate.

Encouraged by the potential for so-called "green" fuels as environmental controls become more stringent, Elf has come up with Aquazole, a diesel-based fuel containing about 13 per cent plain old tap water.

The company believes the product, for which it acquired the patents about two years ago, can improve air quality in urban areas by reducing pollution from buses and lorries. It says using Aquazole instead of ordinary diesel can cut nitrogen oxide emissions by up to 30 per cent, particulates by up to 50 per cent, and black smoke by up to 80 per cent, depending on the type of engine, its age and test conditions.

It also says such results can be obtained without technological changes to existing engines. "Aquazole can simply replace standard diesel," says Frédéric Barnaud, project manager.

Elf may have cracked a problem that has preoccupied scientists for decades: how to produce a water emulsion in diesel fuel stable enough to be used with no technical risks by customers under pressure to cut pollutant emissions from their vehicles.

Under normal circumstances, when diesel is mixed with water, the two fluids start to separate within seconds. Elf scientists maintain that with Aquazole – which looks like milk, but smells like diesel – the emulsion remains stable for upwards of three months. As long as it is kept out of the light, this stability is said to be unimpaired in temperatures ranging from -20°C to 70°C.

The key to Aquazole lies in its third ingredient: an organic surfactant, whose identity is a closely guarded secret. Surfactants are molecules that facilitate mixing of liquids that do not normally mix by reducing their interface tension. The split personalities of the chemical world, surfactants have one end that is lipophilic (it likes fat) and one that is hydrophilic (it likes water). In this way, they literally bind the two fluids together.

For Aquazole, Elf had to find a surfactant that would not produce harmful exhaust emissions. So the chemical selected is non-toxic and non-metallic. Finally, as Elf scientist Philippe Schulz explains, it is non-ionic, meaning it is not sensitive to water quality.

Also critical is the mixing process, designed to produce even distribution of small, uniform-sized water droplets – important for the liquid's stability. Mr Schulz says this has been achieved by a two-stage process in which water is broken down to the optimum size before mixing with diesel. "You need to get something that you can reproduce on an industrial scale," Mr Schulz adds. "The most difficult thing is getting from laboratory scale to industrial scale."

The final ingredient is a biocide to kill bacteria. The new fuel's water content means that a stronger biocide is needed than with ordinary diesel.

Emulsions such as Aquazole may cut the level of pollution from diesel engines largely because water reduces the temperature in the combustion chamber. The lower the temperature – Elf says it is 5 to 10 per cent lower than with standard diesel – the lower the level of nitrogen oxide emissions. At the same time, the company says, the sudden vaporisation of the water leads to better fuel dispersion in the combustion chamber, lowering soot and particulate formation. Water in the engine is also said by Elf to improve thermodynamic efficiency and reduce carbon dioxide emissions.

These effects can be obtained, however, only in direct injection engines, where the water in the fuel is introduced direct into the combustion chamber. Most diesel cars are indirect injection, incorporating a pre-chamber to ensure a good mix of fuel and air. That is one reason why Aquazole is not thought to be appropriate for diesel saloon cars.

Introducing water into fuel – and engines – may also have its drawbacks: loss of power, corrosion, and the possibility that engines may billow steam – more environmentally acceptable than black smoke but still undesirable in busy town centres.

Elf argues that power loss should not be a problem in its preferred initial market – captive fleets of buses and municipal vehicles – as such vehicles are usually overpowered. It says tests have shown that its fuel causes neither corrosion nor steam problems. "You only have 10 per cent more water in the exhaust than would be produced with diesel alone, so it makes no difference," says Mr Barnaud.

TECHNOLOGY PILOT PROJECTS

Price is the key

With Aquazole in the final stages of development and testing and Elf producing enough to supply about 1,000 buses, pilot projects are poised to become more widespread.

Elf's Mr Barnaud says Paris buses using the fuel should be on the road by May or June. The Régie Antonome des Transports Parisiens, the Paris regional transport authority, confirms it is participating with Elf in tests with Aquazole.

Contact has also been made with London Transport. Mr Barnaud says this may lead to Elf producing Aquazole in the UK using "city fuel", a low-sulphur diesel. London Transport emphasised contacts were at an early stage, however. "We would need to be convinced of the economic as well as environmental benefits of this fuel," it said.

The longest-running pilot scheme is in Chambéry, in the east of France near the Alps, where three buses ran on Aquazole in 1995, before Elf became involved. That figure has risen to 30 of the 70-strong fleet. Daniel Abad, technical head of the city's bus service, is impressed by performance, talking of the immediate "extraordinary reduction in pollution" and simple use.

The only "difficult moments" he refers to involve a build-up of bacteria in the summer of 1995. But, he says, "we would have had the same problem with diesel". Elf says it has solved the problem by switching to a new biocide.

A passing Chambéry bus driver also seemed satisfied with the fuel, although he remarked on starting problems and poor acceleration soon after the product's introduction. Now, however, he has to look to check whether the vehicle he is driving is diesel or Aquazole.

According to Mr Abad, "the success of this product would be really total if it was the same price as diesel or cheaper". But he adds: "I think it would be a mistake to have a premium of more than 5 or 6 per cent".

With about 10 per cent more Aquazole than diesel needed to generate a given amount of power, and the process requiring an extra stage, that may be a tall order. So discussion of the fuel's fiscal regime may be significant. The company effectively argues that standard hydrocarbon taxes should not apply to the water content of the fuel. It is asking the French authorities to give consumers a financial incentive to use Aquazole instead of diesel.

As for Aquazole's future amid the proliferation of "green" alternatives, Elios Pascual, general manager of Renault VI's bus unit, believes it is "an excellent idea for the existing generation of buses".

The French bus and truck manufacturer is sufficiently confident of Aquazole's credentials to have extended its after-sales warranty to Renault vehicles running on Aquazole.

Other possible markets for the fuel seem likely to include dustbin lorries and diesel-engined locomotives. A joint test campaign with SNCF, the French rail operator, is under way.

INFORMATION TECHNOLOGY ONLINE BANKING

An attempt to cash in on internet commerce

John Authers explains why rival US banks decided to join forces to develop a transactions and payments infrastructure in cyberspace

When Bill Gates, Microsoft chairman, described banks as "dinosaurs" in an interview four years ago, he set off alarm bells among senior bankers in the US. Fears were sparked that he wanted to take over banks' traditional business, by taking control of internet commerce.

Mr Gates was not the only perceived threat: Intuit, a software house whose Quicken program dominates the market for personal financial software, was also causing alarm. Customers can access Quicken online, without ever being aware of the banks they are dealing with.

The banks were right to be concerned, says Navtej Nandra, an expert on retail financial services with consultants Booz-Allen & Hamilton. "Banks have a bunch of products. But the critical reason why we go to banks is access to the payment system. If someone came along and said they could get your bills paid by clicking on a mouse, a huge portion of why banks and branches exist would be taken away," he says.

Bitter rivals came together to ensure banks continued to control the payments and transactions mechanism in the US. Bits (the Banking Industry Technology Secretariat) was formed with a mission to co-ordinate the response of banks to the challenge from the software industry. Board meetings bring together Titans of US banking such as John Reed, chief executive of Citicorp and a longstanding expert in technology, and Hugh McColl, the successful dealmaker who runs NationsBank.

Richard Kovacevich, a Bits director and chief executive of Norwest bank in Minneapolis, draws parallels with the setting up of MasterCard and Visa: "It was a collaborative effort to make sure that cards worked around the world. It couldn't have been done unless you had standards. There was no organisation to ensure that got done for online banking. Now there is."

A separate venture saw the establishment of Integrion, a private company charged with building an infrastructure for online banking, which the entire industry could use. Launched in September 1996, it included 15 large regional banks and International Business Machines, which, as well as jointly owning the system, was also contracted to provide services.

Critics suggested that the scheme was an attempt by IBM to cash in on its contacts with the banks. They also pointed out that the consortium did not include either Citicorp or Chase Manhattan, the two largest US banks.

According to William Fenimore, Integrion's chief executive, the main aim was economic – by building an infrastructure and platform together, the banks could share costs. With strong usage, they could cut the cost of each transaction.

But its ambitions have since grown. Mr Fenimore now wants to use its owners' "collective marketing strength" to form alliances with product providers. Integrion's owners now count 75 per cent of US households among their customers.

They are trying to thrash out, with Microsoft, a set of common standards for the electronic messages that need to be sent to allow internet banking transactions. Negotiations are also under way to include European banks in the process.

The analogy with Visa and MasterCard is valid, although there is one important difference. Integrion will not develop its own brand identity. Customers of an on-line bank using Integrion infrastructure will never see its name. This is in contrast to the Visa brand, in particular, which is more powerful than any of its member banks. Non-banks were able to use the Visa brand to overtake established banks. If the Integrion owners have planned correctly, this cannot happen in cyberspace.

Integrion has scored a few notable triumphs in the past 18 months. Citicorp joined as an owner last summer and the group has also acquired Visa Interactive, the on-line system operated by Visa, which had been building its own internet transactions system. It is now also an owner of Integrion.

That meant a reduction of the number of software plans, which were being formed for internet banking, leaving Integrion and Microsoft having the most important remaining standards. It also brought First Union, the sixth largest US bank, into the consortium for the first time.

According to Mr Fenimore, it also allowed the company to move into the area of bill presentment, which could be critical to online banking's success. Late last year the company entered into a 10-year strategic alliance with CheckFree, the largest provider of electronic commerce services to companies, which says it has more than 2m consumers and more than 1,000 business clients. Under the agreement, CheckFree will become Integrion's primary supplier of electronic billing and payment processing, and will agree to use Integrion's platform and message standard for all connections with banks.

At present, US utilities and other large billers almost always require customers to send them cheques in the post, and direct debit options are comparatively rare. Because 200 large billers represent 70 per cent of all bills issued in the US, it should quickly be possible to allow customers to pay most of their bills on screen.

"Bill presentment is what will finally drive the remote banking business to a level where it can then take off. All new technology takes time – you have low usage in the beginning, and then it goes right up to 30 per cent take-up in one year. That's probably still a couple of years off," says Mr Fenimore.

He suggests this is in billers' interests. It could save money, both through savings on postage costs and swifter payment. And presenting a bill online allows marketing opportunities.

All of this could ensure that banks retain their grip on the transactions system without coming into conflict with software houses. But there could still be a fierce tussle for dominance between the banks, and the system needs to show that it can work securely and efficiently.

According to Mr Fenimore: "Competition will be based on the website, products and pricing of products. The infrastructure doesn't impact any of that. Unless it doesn't work."

TIM JACKSON
ON THE WEB

Simple directions from A to B

As the number of Web addresses increases, companies such as Centraal are striving to create easier routes

The other day I heard an announcer on London's Classic FM radio station making a joke about Web addresses – parodying, from the non-nerd's point of view, the incomprehensible dots, slashes and strings of strange combinations of *www's* and *http's*.

Beneath the jokes, which are a proliferating symbol of the Web's penetration into the media mainstream, is an important issue. For most people, finding a website by means of its URL (uniform resource locator or address) is becoming increasingly difficult. As the number of websites continues to proliferate, the choices become tougher. Is *Prince.com* the tennis racket company, or something entirely different?

Evidence of this difficulty can be seen in the site logs of many websites, which show that surprisingly few users come to their pages by actually typing in the address. More visitors come by following a link from a search engine or another site or from a bookmark.

That is why the idea behind Centraal (*www.centraal.com*), a company based in Palo Alto, California, is so brilliant. Instead of floundering among URLs, it has developed technology that allows you simply to type a normal word or phrase into the address window of your browser. A piece of software called a resolver will then check the phrase you have typed against a database of companies' URLs and send you where you want to go.

Better still, you can create "personal real names" – so if your favourite source of news is CNet, you can teach your browser to take you to CNet every time you type "news" into the address window.

Centraal is the brainchild of Keith Teare, a founder of one of Britain's first internet service providers. He had the idea in 1995 when setting up an ISP in France.

In an attempt to get owners of Minitel pages to open up on the Web, Mr Teare started thinking about a system that would allow customers to type into a Web browser the Minitel number they were already familiar with, instead of an unknown URL.

By 1996 the idea had broadened into developing a "real names" system for the internet as a whole – and in November of that year, Mr Teare and a French partner incorporated in Delaware.

The company was initially to be called Go; a welter of threats from owners of competing trademarks persuaded it to think again. The company name of Centraal arose because of its business model.

Centraal hopes that its technology will not be distributed only by means of individual users downloading a software extension to the PC's operating system from its website.

In addition, it is trying to get search engines, directory listings and other main presences on the Web to act as distributors. The idea is that the technology should sit invisibly in the middle between the user and the technology they are familiar with – in a central position.

I do not fully understand the resolver/database technology, which uses the XML (eXtensible Markup Language, which is being touted as the next thing after HTML). But one feature of it is clear: its distributed architecture means that users need not hit the Centraal site every time they want to resolve a real name.

What is interesting about Centraal is its business model. There are two revenue sources. One is that companies can register their real names in the database for a flat fee of $40 (£24) a year.

To preserve the integrity of the service, companies will not be allowed to buy generic words such as "books" or to acquire the monopoly for businesses of their type in their area, such as "Palo Alto real estate".

Ultimately, Centraal reserves the right to decide which real names to allocate to which companies on the basis of trying to guess what users looking for the website in question might reasonably type in.

The other is that the company plans to approach between 100 and 200 of the most highly trafficked websites, and squeeze them for extra revenue.

Centraal will point out to them how many millions of bits its technology brings, and demand a 1-cent bounty for each visit generated. It will negotiate volumes of free traffic for each of these big sites that are related to the nature and profitability of their businesses.

Mr Teare expects Centraal to reach $10m in sales in 1998, $24m in 1999 and $120m in 2000 – of which 60 per cent will come from this latter source. Far-fetched? No more than the average internet start-up.

Mr Teare has brought in funding from two respectable sources of finance – Draper Fisher, a leading Silicon Valley venture-capital fund, and IdeaLab Capital Partners, the fund associated with the IdeaLab business covered in this column last week.

One should always be cynical about new businesses that rely for their success on getting huge numbers of hits. But this one might – just might – succeed.

BUSINESS TRAVEL EXPENSES

Charge card saves time and money

Amon Cohen finds out how Seagram cut *$15m from its corporate travel bill and did* away with filling out reimbursement forms

A recent survey by *Visa International* revealed that the average European business traveller spends 98 minutes each month filling in expense forms.

That figure presents no surprises to Jonathan Stobart. financial director of travel management at The Seagram Company, the beverages and entertainment multinational. Seagram managed to reduce the time employees spend on claiming expenses by one-third through adopting a corporate charge card and an *automated expense* reimbursement system.

These innovations have also eliminated cash advances and reduced the need for administrative personnel, meaning the cost of processing each expense claim has been cut by more than 60 per cent.

This is not the only reason for introducing an expense management system. The card and automated reporting system also provide data on spending. Mr Stobart and his six worldwide travel management colleagues have used the information to to negotiate better deals with suppliers and ensure that those already in place are working efficiently.

The expenses system – together with other steps taken by Seagram to overhaul its travel management, such as reducing the number of travel agents from more than 30 to two – has cut $15m from the company's travel bill in the year to June 30, says Mr Stobart.

The corporate card has been an "absolutely fundamental" part of that success, says Mr Stobart. Seagram has 10,000 employees on the *American Express card*, through which they put 90 per cent of their travel and entertainment expenditure.

When it comes to claiming expenses, travelling employees are sent an electronic form by e-mail each month that already includes all purchases made on their Amex card. Employees indicate the business purpose of each purchase and detail the names of guests in the case of entertainment expenses. They also remove personal expenses run up on the card and add anything that was bought for cash.

Seagram settles up with one monthly cheque to Amex for all the business expenses put through the 10,000 cards. Employees are left to find the balance for their personal expenses.

One long-standing criticism of corporate cards is that they encourage users to be profligate in their spending. Mr Stobart disagrees. "Cards provide a much more visible record of spending," he says. "Abuse of expenses is therefore less likely than without a card."

There is plenty of anecdotal evidence to back up this assertion. One favourite story quoted by Alec Mason, head of corporate sales at Diners Club, concerns a client's employee who spent a large sum at an establishment called Creighton. By analysing the vendor code, Diners was able to identify that Creighton was a menswear shop and that the money had been spent on a suit.

"I understand he wore it to consequent job interviews," says Mr Mason.

At Seagram, line managers check expense claims and make a thorough audit of *15-20 per cent of submissions* picked at random. Deviations are also picked up in the next stage of Seagram's information analysis, which is "data warehousing" with a company called International Software Products.

'Cards provide a much more visible record of spending. Abuse of expenses is therefore less likely than without a card'

This means merging travel data from several sources – card, vendors and agency – to provide an accurate picture of when and where employees travel and with *which suppliers they spend* their money. Mr Stobart says this process has improved the accuracy of his information from about 80 per cent to 95 per cent.

Such information is vital for Seagram's analyses of its costs per mile and for preparing itself for negotiations with vendors.

It has also enabled the company to identify significant spending on routes not covered by preferred airline agreements.

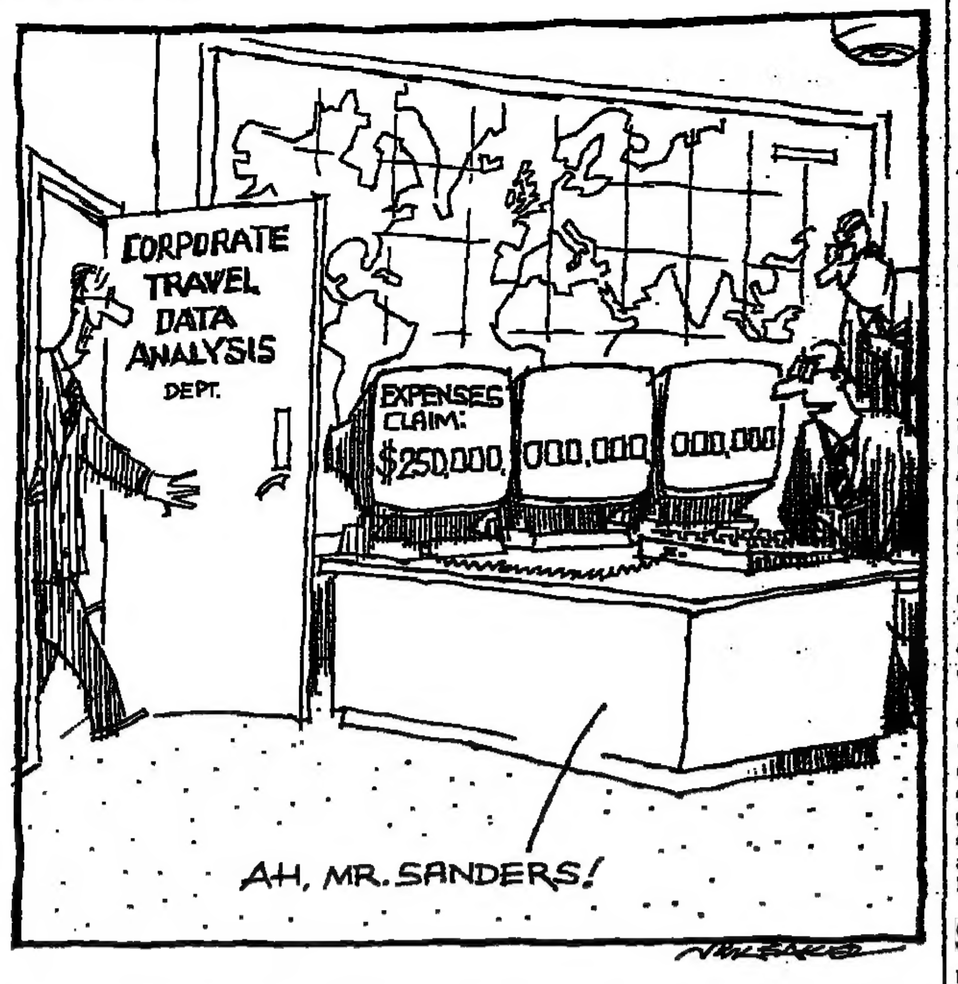
"Currently, 75 per cent of our air spend is covered by global agreements with five carriers," says Mr Stobart. "We are looking to increase that figure to 90 per cent by adding a select number of *regional carriers*. Preferred agreements give us greater savings, so every flight on a non-preferred carrier is a lost opportunity."

Data warehousing is also helping to secure discounts on last-minute flights booked with the Amex card at the airport. In such cases, even though the flight is with a preferred carrier, the traveller pays the full fare because he or she has not *booked through the company* travel agent. Matching of the card and agency data enable Seagram to claim the appropriate discount.

However, Mr Stobart feels that most important of all is the total picture given by data warehousing. For instance, there are parts of the world where acceptance of the Amex card is poor, there are others where retained travel agents do not operate. For a multinational, with interests in diverse locations such as Opporto, Cognac, Florida and China, data warehousing allows Seagram to paint a truly global picture of its expenditure.

Setting up such a system *need not be particularly* time-consuming.

Mr Stobart says it took only 10 weeks for International Software Products to merge Seagram's card and agency data. For savings of $15m, it could be worth a look.



TRAVEL UPDATE

Delta includes laptops in hand luggage limits

Travellers flying with Delta, a US carrier, will soon have to count their laptops as part of a strict cabin baggage allowance. The airline says it will limit passengers to two items and that computers will no longer be treated as exceptions.

Maurice Worth, chief operating officer, said "discomfort, difficulties and delays" had resulted from excessive carry-on baggage.

There will be some exceptions to the two-bag rule – women's handbags, for example – but extras such as carrier bags full of duty-free goods, will be counted. The crackdown starts on April 15 and covers Delta Express flights but excludes its Shuttle service.

Sabena battle

Belgium's Sabena joins battle with British Airways and British Midland on Sunday with flights between Brussels and Birmingham. It claims only about one-in-five passengers travelling the route switch to connecting services in the Belgian capital. With four round-trips a day from Monday to Friday and a reduced service at weekends, Sabena reckons it can "double or maybe treble" the level of transfer traffic.

Pacific gateway

Phoenix Sky Harbor Airport is pitching itself as the gateway to the US west coast since British Airways doubled capacity on the route from London Gatwick, *writes Gillian Upton*. As of yesterday, the DC-10 aircraft are superseded by a B747-400, which offers 401 seats instead of 214 and a daily service, instead of six days a week. Phoenix is hoping to attract business travellers as the flight and time difference are one hour less than from London to Los Angeles, with less congestion, cheaper car rental and less chance of delay.

Russian opening

Austrian Airlines is expanding its services from Vienna to destinations in the former Soviet Union, with connections between all European capitals. From today, it is starting a twice-weekly service to Kharkiv in Ukraine. It also plans flights to Krasnodar in Russia and Tbilisi in Georgia in May.

New services

Taiwanese airline EVA Air and Japan's All Nippon start daily code sharing services between Taipei and Osaka on Wednesday.

Manchester hotel

Manchester gets a stylish new 112-room hotel next month when the fourth property in the Malmaison group opens in Gore Street, Piccadilly. Like its predecessors – among them the Glasgow hotel, which is a former Greek Orthodox Church – it will occupy an old building. The hotel combines a converted warehouse with a modern, glass canopied development.

Marriott expands

Marriott is to open hotels in China and Israel this year. The former is in the central business district of Shenzhen and will have 397 rooms and revolving top restaurant. The latter is on a hilltop overlooking the old city of Nazareth. The chain has also unveiled plans for a 180-room hotel in Mendoza, Argentina, due to open in 2000.

BUSINESS TRAVEL ACCOMMODATION SQUEEZE

World Cup pushes up hotel prices in France

Football fans are snapping up rooms for June, writes **Gillian Upton**

Business travellers who need to visit France in June are likely to have to pay extra for the privilege. Demand from football fans during the World Cup means that hotel rates have been raised by between 20 per cent and 60 per cent.

"We had to pay for three nights' accommodation to secure one night for one of our corporate clients," says David Whittaker, joint managing director of The Travel Company.

Inter-Continental Hotels, which manages two properties in Paris offering almost 1,000 rooms, has increased rates by an average of 20 per cent for the period.

Anyone wanting to book is asked to pay a 100 per cent, non-refundable deposit. "Otherwise we don't guarantee it," says Ronen Nissenbaum, hotel manager of the Inter-Continental, Paris.

Business travellers would normally receive a corporate discount of between 20 per cent and 30 per cent. "It's a question of supply and demand," explains Mr Nissenbaum. "You get good rates from us most of the time. We're here to make money."

Utell, a hotel representation company that markets 300 properties in Paris, says it is "fairly frantic" during the World Cup.

'You get good rates most of the time. We're here to make money'

However, it expects some block bookings to be cancelled in the next few months. "Our advice is to keep close to an agent and ask again nearer the time as capacity will come back," Utell says.

A similar picture emerges from airlines. Air France says flights from the UK to provincial parts of France are fairly full either side of England matches. Business-class seats on UK-Paris routes are also going quickly, as World Cup sponsors snap up seats for VIP guests.

Business travellers from the UK might prefer to go by train and avoid an overnight stay. Most games kick off in the evening, so supporters will be either travelling back on special services at 3am or the following morning.

Travel agents are advising clients to avoid France in June.

"Many travellers are going there in May as they know any later is no-man's land," says David Witham, international hotel marketing vice-president of Carlson Wagonlit Travel.

"But I think there will be an abundance of rooms nearer the time, as there were in Atlanta for the Olympics in 1996."

Dates to avoid for from the UK are June 15 in Marseilles and June 22 in Toulouse, when England is playing.

The semi-final is in Paris on July 8 and the final in Paris on July 12.

MARKETING CHILDREN'S BOOKS

New chapter in sales

A merchandising push is attracting another generation, says **Victoria Griffith**

Marc Brown, author of the *Arthur the Aardvark* series in the US, says he literally could not give away his books a few years ago. "Kids dropping by for trick-or-treat at Halloween would get the choice of candy or one of my books and they'd almost always pick the candy."

That was before the animated Arthur, inspired by Mr Brown's books, knocked Barney the purple dinosaur out of the number one spot on the Public Broadcasting Network, and a flood of Arthur dolls, computer games and videos hit the market. Now the Arthur series is a bestseller and children queue outside Mr Brown's door at Halloween to get free books.

The increased visibility of characters such as Arthur is fuelling a boom in their book sales. Juvenile literature is now one of the fastest-growing areas of publishing. Children's book sales in the US rose to an estimated $2.7bn (£1.6bn) in 1997, up from $1.9bn six years ago, according to the New York-based Book Industry Study Group. In 1996, the latest year for which figures are available, juvenile paperback sales rose more than 16.3 per cent, compared with a 1.8 per cent increase in paperback adult books, according to the Association of American Publishers.

Retailers are taking notice. Anxious to cash in on a hot market, toy stores such as Toys R Us, discount outlets including Wal-Mart, Target, and T.J. Maxx, and even supermarkets have begun to stock children's books, while book chains have been increasing the space dedicated to younger readers.

Observers say the two most important factors in the bonanza have been the renaissance in animation *and improved marketing by* publishers and booksellers. For example, a Disney animation of Roald Dahl's *James and the Giant Peach* lifted sales and spawned a new version of the story for younger readers. Books based on the animated film *Anastasia* also became bestsellers at the end of last year.

Publishers and booksellers have also become more sophisticated about packaging and cross-selling. These days children's books are more likely to have "tag" lines such as "by the author of" to catch parents' attention. Board books, printed on heavy cardboard for very young children, have become enormously successful, and sellers now ensure tie-ins, such as dolls and games, are displayed prominently near the books.

Some editors believe a resurgence in the quality of writing and illustration of children's *literature* has helped spark the boom. Books such as *Pigs Aplenty* by David McPhail, and *The Stinky Cheese Man* by Jon Scieszka and Lane Smith have added a welcome wacky note to an often conservative industry.

"There certainly is a lot more variety in children's literature than before," says Liz Bicknell, editor-in-chief of Candlewick book publishers.

With a small fortune to be made in film rights and promotional items, from books that touch parents and their children, it is little wonder that the area is attracting new talent.

JOHN RIDDING
FILE FROM HONG KONG

Bright lights illuminate an identity crisis

The world-renowned immigrant society is suffering growing problems among new settlers that have left some feeling like second-class citizens

Bright lights, big city. But for many heading south across the border, Hong Kong's allure is proving deceptive. Surprising it may seem, but one of the world's most successful immigrant societies has a problem with immigration.

In the nine months since Hong Kong's return to China, such worries have been drowned out by applause for the territory's smooth political transition. But the hoopla of the handover and the rhetoric of reunification are lost on many migrants. For all the talk of Chinese identity and "one country, two systems", some feel like second class citizens.

"There are problems, very serious problems, I am afraid," says Tsang Yok-sing, leader of the Democratic Alliance for the Betterment of Hong Kong, the biggest pro-Beijing political party. Disillusioned immigrants, resistance from local residents, and the worst economic downturn *since the* early 1980s create a formula for friction, he believes.

From chicken flu to kidnappings and pressures on schools, callers to radio phone-in shows have pinned the blame for society's woes on mainland arrivals. They are the usual suspects in many of the territory's crimes. One mainlander was even assaulted by a Buddhist monk, infuriated by an alleged breach of his begging space.

There are several strands to the strains. While many high-rollers and professionals have moved down from the north, slipping seamlessly into the territory's social elite, most recent immigrants have come from the lower ranks of mainland life. "They have real difficulty in finding jobs and housing when they reach Hong Kong," says Sze Lai Shan at the Society for Community Organisation.

A *SOCO study* showed immigrant families live off an average of HK$7,000-HK$9,000 a month (£539-£693), about half the median family income. Given the long queues for public housing, a big chunk of that often goes on cramped private apartments.

Poor immigrants who fight their way up are, of course, part of Hong Kong's success. Li Ka-shing built his corporate empire on determination instilled while sweeping floors as an apprentice. Wong Kwan cleaned cattle trains in the border town of Shenzhen before rising to riches as a property tycoon. But those in the latest influx frequently face different prospects.

Many are women married to Hong Kong men who found it difficult to find a wife at home. Often marriages of convenience, these relationships suffer strains *when the women and their* children make the journey south. "We are getting more and more cases involving immigrant wives," says Thomas Mulvey, director of the Hong Kong Family Welfare Society.

The sheer numbers of potential immigrants scares local residents. While *150* immigrants are allowed to enter Hong Kong legally every day, compared with the quota of 105 in 1995, there is still a huge backlog of applicants. An estimated 66,000 children from divided families are waiting in China to join parents in Hong Kong. In a bid to stem the tide, the Hong Kong government has introduced administrative measures. But it is facing a tough legal battle against families claiming the *right of abode for* their children.

It is a measure of local attitudes that emotive newspaper pictures of children and their mothers being yanked from apartments appear to have made little impression. "What people see is the threat to resources in education and housing, not the children," says Ms Sze. The ongoing legal battle, which looks set to reach the court of final appeal, has fuelled fears of a massive human influx.

"I suppose we have an image of *mainlanders as greedy or lazy*," admits one Hong Kong citizen. She cites the stereotype of Ah Chan, a television character from several years ago, who shuffled around in pyjamas and reinforced the image of hayseed cousins. Despite bursts of brotherly identity, most evident in the aftermath of the Tiananmen Square massacre, such prejudice remains. *Dai Luk Jai* – a colloquial term for mainlanders – carries an air of contempt.

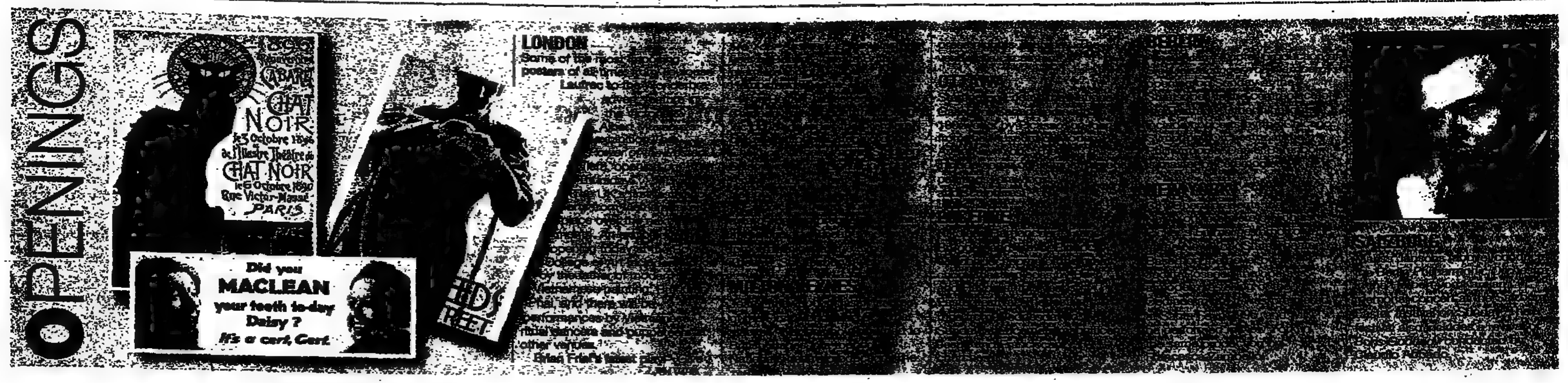
Mainlanders have their own axe to grind. "The reality is different to the dream," says Lam Pui-shan, a student from China. "I asked my parents why we were not emigrating to Canada or somewhere else. They told me that Hong Kong was a beautiful prosperous place."

"We are all part of China, so why do they think they are better than us," asks Mrs Lau, a recent arrival who has so far failed to find work. "I have met many of these new immigrants and they resent being discriminated against," adds Mr Tsang. "The government must do more to defuse the tension."

The government and social agencies have been doing more. The Home Affairs department and the Jockey Club, the territory's biggest charity, are funding welfare programmes to help *immigrants adjust*. Mr Mulvey's society, for instance, has received HK$6m for one of these projects.

But some believe it may be too little too late. "We knew from the mid-1980s that there would be more immigrants, that people from the mainland would have rights and their children would have rights," says one welfare officer. "No one really thought through how they could be accommodated."

The big concern, says Mr Mulvey, is the fate of younger migrants. "With adolescents coming in to join a parent they don't really know and with problems fitting in at school, they are going to provide ripe pickings for the Triads," he warns. The worry is that the latest wave could produce fewer Li Ka-shings and *more members of Hong Kong's* "black societies".



Classical music and all that jazz

Andrew Clark talks to the composer Mark-Anthony Turnage

There is sex and swearing in *Greek*, furious intensity in *Three Screaming Popes*, propulsive rage in *Drowned Out*. Titles like *Dispelling the Fears* and *Blood on the Floor* suggest something equally disturbed. That is why London's South Bank Centre has called its Mark-Anthony Turnage retrospective "Fractured Lives".

Reality is somewhat friendlier. Turnage's thrillingly abrasive orchestral writing and bluesy harmonic idiom may give his music strong urban overtones, but to categorise it as aggressive and in-your-face would be missing the point. Turnage, 37, is far too versatile a composer to be pigeon-holed. Listen to the thoughtful undertones of *Your Rockaby*, the achingly beautiful cadences of *Twice Through the Heart*, the cabaret textures of *Momentum*: here is a composer who makes the worlds of modern and popular music swirl together and become inextricable, whose creative palette is infinitely flexible but never less than personal. Turnage's output in the 10 years

He makes the worlds of modern and popular music swirl together

since *Greek* shows he is not just a dextrous technician, but one of the most creatively unfettered voices of his generation.

So don't be put off by the poster for "Fractured Lives", which makes Turnage look like a criminal. The man who opens the door to his studio in north London turns out to be warm, open-minded and blokeish. He admits he initially cultivated the rough, tough image reflected in *Greek*, and he still draws inspiration from the tortuous paintings of Francis Bacon (an exhibition of which, at the Hayward Gallery, happily coincides with the Turnage retrospective). But in his private life as much as in his music, Turnage has mellowed. Get him talking about his two boys, the youngest barely six weeks old, and he's really quite a softy.

Of course, there is a hard core to Turnage. You can see it in the way he structures his day, leaving home at six every morning to notch up seven hours at his work desk. You detect it when he talks contemptuously about Tony Blair's government and Britpop. It's unmistakable when he recalls severing links with his Pentecostalist parents: he feels the religious influence at home was partly responsible for his brother's suicide. And it's manifest in his rigorous self-criticism. He readily admits having had a lot of help from fellow-composers Oliver Knussen and Colin Matthews, to whom he still shows his scores.

What distinguishes Turnage's mature output is that it is all so playable. You could say he was incredibly lucky to land composer-residencies with the City of Birmingham Symphony Orchestra (1990-94) and English National Opera (from 1995) – two of the most forward-thinking musical institutions in the UK, which have encouraged him to use them as his laboratory.

In fact, luck was a very small part of it – though don't say that to some of Turnage's deeply envious and less talented colleagues. He had the imagination in the first place, but he also deserves credit for realising what illustrious predecessors took for granted – that there is no greater creative stimulus than writing for someone with a special talent. This way of working resulted in an increasingly refined body of orchestral scores during his CBSO residency, and it is informing every detail of *The Silver Tassie*, a full-length opera that is being workshopped at ENO prior to its premiere there in 2000.

Turnage's collaborative instincts explain why *Blood on the Floor*, created for US jazz musician John Scofield and the classically innovative Ensemble Modern, is so insidiously effective; why he wants to write a violin concerto for Nigel Kennedy, why he would like to work with Bryn Terfel and Keith Jarrett. They all share his belief that the distinction between high and low art is spurious.

Turnage can suffuse his music with jazz as effectively as any American composer, while retaining a lyricism rooted in English tradition. Indeed, it's impossible to detect where symphonic solidity gives way to swing, so easily assimilated are the influences and so skilful his use of saxophone, percussion and guitar.


Far too versatile a musician to be pigeon-holed: Mark-Anthony Turnage

But there are practical problems when the idiom demands a flexibility for which classical musicians have not been trained. Turnage summarises the dilemma: "If you write it all down, can you get them to play it as if they were conversant with jazz? It has a lot to do with phrasing, with ghost notes – you can have a note that's almost not there, but it infuses the rhythmic sense. It's notated, but in brackets. If you play it like a classical musician, it doesn't make sense."

The problem works both ways. Turnage found himself overnotating the part for jazz drummer Peter Erskine in *Blood on the Floor*. "He said it was ludicrous, it restricted him too much. That's a contemporary music thing – it comes from the Second Viennese School. You become obsessed with what things look like on the page, rather than what they sound like. At one point, I would feel I hadn't done my job properly if there wasn't an accent, a dot or a dynamic on each note. It just looked bare. It took me a long time to stick to fundamentals – four straight measures in 4/4 time, with four straight crotchets. That was a culture shock."

But there is nothing shocking about Turnage's sound-world, partly because he is such an accomplished tunesmith. He says instrumental melodies come naturally, "and anything slow. That's a very late 20th century problem – I find it hard to write fast music, and it's even worse trying to write for voice. I didn't hear much vocal music when I was a kid. I'd much rather write for soprano saxophone, because it makes me feel I'm imitating the human voice."

Perhaps *The Silver Tassie* will help him resolve that particular hang-up. It is based on Sean O'Casey's play about the athletic, charismatic Harry who goes off to war and returns embittered in a wheelchair. The scene which seized Turnage's imagination was the chanting in the trenches – "I was in the library and opened the page at these incredibly expressionistic lines."

As part of his research, Turnage visited the Somme. He says his biggest challenges will be to reflect the transformation that overcomes all the main characters as the story unfolds, and to prevent the action degenerating into an operatic version of *Oh! What a Lovely War*. After *The Silver Tassie*, Turnage wants to turn his energies away from the theatre.

He does not deny, however, that opera was the making of him: *Greek* brought notoriety and financial security. It winds up the South Bank retrospective in a staging by Clare Venables, and has its US premiere this summer at Aspen. At the time of its last UK performances at ENO in 1990, *Greek* was interpreted as a reaction to the Thatcherite 1980s. How will it look now? Turnage reacts with a mixture of curiosity and scepticism. "It's the same with all my pieces – I like some bits, and dislike others. I hope time will have revealed something more in it. The anger is still in the piece, even if other emotions have taken its place in me."

"Fractured Lives", April 3-18 at the South Bank Centre, London (0171 960 4242). A recording of "Blood on the Floor" is released on Argo today.

Glam rock and cocktails find the right space

NEW YORK THEATRE

BRENDAN LEMON

Hedwig and the Angry Inch
Cabaret

John Cameron Mitchell is ahead of the curve. While other sifters of 1970s pop-culture detritus have been busy with the disco years, Mitchell, a young, gifted American actor, decided to focus on one of the decade's less picked-over styles, glam rock. His timing is impeccable. By the time the epic, early-70's movie *Velvet Goldmine* is released this autumn, everyone will probably be sick of this style; but for now, if *Hedwig and the Angry Inch*, the show written by and starring Mitchell and now playing in downtown Manhattan, is any indication, few eras of overripe chic feel fresher than the one associated with T. Rex and early David Bowie.

Mitchell's Hedwig begins life as a self-described "slip of a girly boy from East Berlin". A lonely and confused child, he is happy only when listening to the top of the pops tunes beamed over the Wall by American Forces radio, music such an anathema to his mother that in their cramped flat the boy can listen to it safely only with his head shoved in the kitchen oven. In his early 20s, he falls in love with an American corporal and, to prove his love, has a sex-change operation which fails and leaves him genitally with the "angry inch" of the title.

Two years later, however, he is alone again, living in Kansas and has taken up with a grungy teenager named Tommy Speck. Financially desperate and hungry for fame, Hedwig launches a career as a glam rocker. Tommy, who is initially a backup musician to his girlfriend, eventually overtakes her in the fancy of the rock public, and most of Mitchell's show takes place as Hedwig and his Angry Inch band (played by the tight, energetic ensemble Cheater) are playing a down-and-out engagement at the same time that Tommy is rocking out at a nearby football arena.

Given such an unlikely story, that *Hedwig* turns out to be such a blissful lark is the result of at least three factors. Mitchell, with his slight frame, red pouty lips and hair one might describe as that of a blow-dried Brünnhilde, has a sly way with innuendo; when he leers out at the audience as the show starts and emits lines like, "I do love a warm hand on my entrance," the effect is Dietrich-deadpan rather than groan-inducing.

Secondly, the show's songs, by Stephen Trask, are genuine, take-no-prisoners rock 'n roll – unlike the so-called rock musicals uptown on Broadway, they make no concessions to the coach-party audience. The music's uncompromising nature benefits vastly from the third reason for *Hedwig*'s success: the Jane Street Theatre. The theatre is housed in a slightly seedy hotel along the Hudson River that once welcomed seamen and now is more apt to domicile German tourists in search of the ghosts of Bohemia past. Were she not fictional, Hedwig herself might stay here.

Like *Hedwig*, the revival of *Cabaret* that has just opened on Broadway benefits from a "site-specific" setting, as well as from an extended investigation into androgyny. The show has been fitted into a former nightclub,

The show's songs, by Stephen Trask, are genuine, take-no-prisoners rock 'n' roll

and audiences sit at ringside tables sipping cocktails and receiving the erratic attentions of bruised-looking boys and girls.

The production, directed by Sam Mendes, is conceptually a reprise of the one in London a few years ago, and it features the same down-and-dirty turn by Alan Cumming as the Emcee.

The other actors, all accomplished, are American, with the exception of Natasha Richardson as Berlin's queen of cheap chic, Sally Bowles. Richardson has scored something of a triumph with the part, and at first it may be difficult to understand why. Though she has an appealing, on-pitch musical sense, she lacks the large, love-me-please voice of Liza Minnelli, who played Sally in the musical's 1972 movie version. But here Richardson is something that Minnelli has been only fitfully in her career: a good actress. Richardson's ability to bring emotional shading to her scenes allows her to do something with Sally that most other interpreters of the role do not: play the part as written.

"Hedwig" is at the Jane Street Theatre; "Cabaret" at The Henry Miller's Theatre.

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: Romeo and Juliet. Rudi van Dantzig's 1967 version, created for the DNB and set to Prokofiev's score. With sets and costumes by Toer van Schayk; Apr 1, 2, 3, 4

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Oedipus Rex and Psalmensymfonie: Stravinsky double-bill. New, co-production with the Salzburg festival, directed by Peter Sellars. The conductor is Hans Vonk, and the cast includes Willard White; Mar 30

BALTIMORE

EXHIBITION
Walters Art Gallery
Tel: 1-410-547 9000
Monet: Paintings of Giverny from the Musée Marmottan. 22 paintings produced during the last 23 years of the artist's life. Photo murals and works from the collection will be shown alongside the visiting works; to May 31

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Il Campiello: by Wolf-Ferrari. New production conducted by Bruno Bartoletti in a staging by Nanni Garella; Mar 31

BRUSSELS

CONCERT
Palais des Beaux-Arts
Tel: 32-2-507 8200
Rotterdam Philharmonic Orchestra: conducted by Valery Gergiev in works by Debussy, Mussorgsky and Prokofiev; Mar 31

GENEVA

CONCERT
Victoria Hall
Tel: 41-22-3170017
Orchestre de la Suisse Romande: conducted by Heinz Wallberg in works by Hindemith, Schumann and Brahms; Apr 1

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, conducted by Mikko Franck; Apr 1, 4

LAUSANNE

CONCERT
Théâtre de Beaulieu
Tel: 41-21-643 2211
Orchestre de la Suisse Romande: conducted by Heinz Wallberg in works by Hindemith, Schumann and Brahms; Apr 2

LISBON

CONCERT
100 Days Festival, Expo '98
London Symphony Orchestra: Riccardo Chailly conducts concert performances of Mahler's Totenfeier and the closing part of Act 3 of Wagner's Götterdämmerung. With sopranos Jane Eaglen and Janice Watson; Coliseu; Apr 1

LONDON

CONCERTS
Queen Elizabeth Hall
Tel: 44-171-960 4242
● Opera North: concert performance of Sondheim's Sweeney Todd. With the English Northern Philharmonia, conducted by James Holmes; Mar 30
● English Chamber Orchestra: conducted by Raymond Leppard in works by Debussy, Shostakovich, Satie and Bizet. With piano soloist Alexander Melnikov and trumpet soloist Serge Nakariakov; Apr 1

Royal Festival Hall
Tel: 44-171-960 4242
● Philharmonia Orchestra: conducted by John Eliot Gardiner in works by Elgar, Chopin and Dvorák. With piano soloist Maria Joao Pires; Mar 30
● Bamberg Symphony Orchestra: conducted by Ingo Metzmacher in works by Bartók and Mahler. With violin soloist Viktoria Mullova; Apr 1
● Philharmonia Orchestra: conducted by Leonard Slatkin in works by Rimsky-Korsakov, Prokofiev and Rachmaninov. With piano soloist Nikolai Lugansky; Apr 2
● London Philharmonic Orchestra: conducted by Ingo Metzmacher in works by Debussy, Turnage and Stravinsky. With saxophonist Martin Robertson; Apr 3

LUCERNE

CONCERTS
Easter Festival
Tel: 41-41-226 4480
www.LucerneMusic.ch/
● Concentus Musicus Wien: conducted by Nikolaus Harnoncourt, with the Arnold Schoenberg Choir, in works by Haydn; Jesuitenkirche; Apr 1
● Orchestra of the Age of Enlightenment: conducted by Frans Brüggen in works by Bach. With soprano Lynne Dawson; Jesuitenkirche; Apr 2
● Munich Chamber Orchestra: conducted by Karl-Friedrich Beringer, with the Windsbacher Knabenchor, in Bach's Mass in B minor; Jesuitenkirche; Apr 3
● The English Concert: Trevor Pinnock conducts Bach's St. John Passion, with soloists including tenor Ian Bostridge; Jesuitenkirche; Apr 4
● Thomas Zehetmair: recital by the violinist of works by Bach; Franziskanerkirche; Apr 4

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Linda di Chamounix: by Donizetti. Co-production with Vienna Staatsoper conducted by Roberto Abbado in a staging by August Everding; Apr 1, 3

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Ravel, Barber and Stravinsky; Apr 2, 3

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Lohengrin: by Wagner. New production by Robert Wilson, with costumes by Frida Parmeggiani; Apr 2

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Emmeline: premiered in Santa Fe in 1996, Tobias Picker's opera is presented here in the same production, by Francesca Zambello, with sets by Robert Israel. Based on Judith Rossner's novel, J.D. McClatchy's libretto is a version of the Oedipus myth set in New England. The cast includes Patricia Racette and the conductor is George Manahan; Mar 31; Apr 4

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Yuri Ahronovitch in works by Weber, Bruch and Dvorák. With violin soloist Roland Daugareil; Apr 1, 2

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Stanislaw Skrowaczewski in Elgar's Violin Concerto, with soloist Pinchas Zukerman. Programme also includes works by Wagner and Shostkovich; Apr 1, 2, 3, 4

EXHIBITION
San Francisco Museum of Modern Art
Tel: 1-415-441 4777
www.sfmoma.org
Paul Klee: Travels Near and Far. Selection of works designed to demonstrate the ways in which the artist was inspired by his surroundings. Ranges from an early pen-and-ink study of the countryside in Switzerland, to later works produced during trips to Tunisia and Egypt; to Jun 28

TOKYO

CONCERT
Bunkamura
Tel: 81-3-3477 9999
New Japan Philharmonic: conducted by Mstislav Rostropovich in works by Shostakovich, with violin soloist Maxim Vengerov; Orchard Hall; Apr 3

VENICE

EXHIBITION
Palazzo Grassi
Tel: 39-41-523 1680
www.palazzograssi.it
Picasso: 1917-1924. Beginning with works inspired by his designs for the theatre and ballet, and the characters of the Commedia dell'Arte, this major display also picks up the return to classicism which coincided with Picasso's first visit to Italy in 1917; to Jun 28

WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-202-467 4600
www.kennedy-center.org
National Symphony Orchestra: conducted by John Nelson in Fanfare for Israel, by Israeli composer Ben-Haim; Apr 2, 3, 4

TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● Business/Market Reports:
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW STANLEY FISCHER

IMF and crisis prevention

The Fund can help redesign the architecture of the international financial system

After every crisis, the international community reflects on what needs to be done to reduce the probability of future crises. It also seeks to ensure that the crises that do occur can be handled more effectively.

While it is still too early to decide how the architecture of the international system will change – that will be up to policymakers in national capitals and the governing bodies of the IMF – some preliminary suggestions can be advanced.

There are five lessons on crisis prevention.

● First, we need more timely, accurate, and comprehensive data. The IMF is encouraging countries to introduce greater transparency and fuller disclosure, for instance by providing data on forward transactions by central banks. Better data should lead not only to better informed investors, but also to better government policies. Some of the off-balance-sheet activities of central banks that were instrumental in the Asian crisis could not have continued for as long as they did had they been public knowledge. It is also clear that we need better data on short-term debt exposures, not only of banks, but also of corporations. The Bank for International Settlements is already working hard to improve data on short-term debt.

At the same time, we need to recognise that data must be processed by human intelligence. We therefore need to improve our ability to interpret data, through research into crisis indicators, and through official and private-sector surveillance of the international system.

● Second, ways need to be found to enhance the effectiveness of IMF surveillance. We must ensure, among other things, that all the relevant data is being supplied to the Fund; that countries' exchange rate regimes are consistent with other policies; and that capital inflows are sustainable. Many have argued that the efficient functioning of the international system requires greater transparency at the IMF itself. This is happening. The trend should continue – not least because it would provide the right incentives for the IMF to improve its ability to interpret the data.

The international system also needs to monitor international capital flows far more actively, to seek to identify potential trouble spots. The provision of better data on short-term debt flows and exposures will be critical to this effort. Henry Kaufman, who has written convincingly on the need for such monitoring, has suggested we consider setting up a separate international institution for this purpose. But we are not short of international institutions and do not need another one to do this.

● Third, since crises are often provoked by problems in the financial sector or intensified by them, much more needs to be done to strengthen domestic financial systems. The IMF has been working in this direction by helping to develop and disseminate a set of best practices in the banking area. These standards are codified in the Basle Committee on Banking Supervision's 25 core principles, introduced last year. This standard-setting effort is extremely important. But ensuring compliance is just as important, and politically more difficult. IMF surveillance will play an important role here.

● Fourth, we must improve the way capital markets operate, in advanced and emerging economies alike. One possibility would be to encourage countries to adopt international standards in areas such as bankruptcy codes, securities trading, and corporate governance, including accounting.

Market participants would then have a clearer basis for making lending decisions. Once again, the international system would need to monitor the implementation of these standards. This is a formidable task. Observance of these standards would be encouraged if the risk-weightings on international loans applied by bank regulators in the lending countries reflected compliance of the borrowing countries with the standards.

● Fifth, the opening of countries' capital accounts should be handled prudently. This means neither a return to pervasive capital controls, nor a rush to full immediate liberalisation, regardless of the risks: the need is for properly sequenced and careful liberalisation, so that a larger number of countries can benefit from access to international capital markets. In particular, macroeconomic balance and a strong and well-supervised financial system are prerequisites for successful liberalisation. To facilitate this process, the IMF is at work on an amendment of its charter that will make the liberalisation of capital movements a purpose of the Fund.

This means neither a return to pervasive capital controls, nor a rush to full immediate liberalisation, regardless of the risks

So much for crisis prevention. Some steps have also been taken to improve crisis response. Through the creation of the Emergency Financing Mechanisms, the IMF's internal procedures for dealing with crises have been streamlined, an initiative that allowed the rescue programme for South Korea to be negotiated, signed, and approved in less than two weeks. The IMF has also tailored the new Supplemental Reserve Facility to fit the special circumstances of financial crises in emerging markets.

Considerable thought is also being given to finding a mechanism for involving the private sector in the resolution of financial crises. There have been many suggestions on how to improve this, among them the equivalent of an international bankruptcy court or code. Another suggestion is that the international system find a way to authorise a temporary stay on payments in an external financial crisis.

There are formidable legal problems in this area, but the search for ways to deal with such problems must continue. Whatever solutions are suggested, it will be important to bear in mind the dangers of contagion, the possibility that an effort to involve the private sector in solving the problems of one country will lead to capital outflows from others.

Finally, it should be apparent that the IMF cannot perform a central role in crisis prevention and crisis management without adequate resources, including, in particular, the increase in IMF quotas – agreed to by our 182 member governments – andnow being considered by the US Congress.

The new architecture of the international financial system is still on the drawing board. It remains to be seen how the international community will decide to deal with these issues, and what precisely the role of the IMF will be.

The IMF, like any institution, undoubtedly has it shortcomings. But it provides the best framework in which the international community can address global economic and financial problems that exceed the capacity of individual countries to resolve alone.

The author is first deputy managing director of the International Monetary Fund

LETTERS TO THE EDITOR

Dividend yield no longer biggest influence on pricing of equities

From Mr David Grenier.

Sir, The Lex comment ("UK dividend yields", March 25) infers that dividend yield is still the key criterion in establishing equity valuations relative to other assets and hence in justifying the level of the London market. Not so.

For a start, this ignores the influence that modern techniques of analysis such as EVA (economic value added) have had on the pricing of equities. The equity market is now much more focused than in the past on fundamental issues concerning the creation – or destruction – of shareholder value.

Even more important is the way in which shareholders now receive their returns. Since the change in the tax treatment of dividends introduced in the July 1997 Budget, the distribution of profits via dividends is increasingly being supplemented by the return of capital via share buybacks and the like.

As Credit Suisse First Boston has pointed out only last week, the scale of buybacks seen to date this year (£6bn completed with a further £4bn announced but yet to take place) represents the equivalent of an extra quarter's dividend flow.

If the US example is anything to go by (and I believe it is), this trend is set to continue.

The fact therefore that the dividend yield on the FTSE All-Share Index is at its lowest level since the first world war is an interesting historical footnote – just that and no more.

David Grenier,
chief executive,
Independent Investment Management,
11 Old Jewry,
London EC2R 8DU, UK

Crazy way to be funny

From Mr Richard Lucas.

Sir, Lucy Kellaway says that she does not know anyone on the Financial Times who is crazy, but poking fun at your new CEO in front of a global audience comes close ("A mindset out of my orbit", March 23).

I assume that both she and those who approved the article are now in for a bonus.

Richard Lucas,
SKK – Systemy Kodow Kreskowych,
ul. Cystersow 18,
Cracow 31-553,
Poland

Grounded

From Sir Christopher Lawrence-Jones.

Sir, While supporting James Henderson (Letters, March 19) on the anomaly of duty free, he may like to know at least one country has adopted a measure to reduce the transport of "tons of goods for no purpose". When travelling to New Zealand, duty free is bought at the airport on arrival.

Christopher Lawrence-Jones,
23 Thorney Crescent,
London SW11 3TT, UK

Retrospective tax will discourage saving

From Mr Steven T Slaughter.

Sir, The measure in the Budget which seeks to transfer liability for capital gains tax from a pre-1991 overseas trust to the settlor has all the vindictive unfairness and impracticality of any retrospective tax law. The assets no longer belong to the settlor; having disposed of them in a perfectly legitimate and open way, why should he or she now be expected to meet capital tax liabilities thereon?

If a few such settlements are used as devices within a circuitous tax dodging capital repatriation scheme, the majority, I imagine, are part of long-term estate and pension plans – many of which were designed to meet extra-national circumstances. A retrospective attack on the settlors cannot be seen as closing tax loopholes; rather it is yet another of this government's so-called reforms, born out of instinctive antipathy towards accumulated capital, all of which must call into question the good faith of any proposals for the sheltering of savings for old age care or private funding of pensions.

As your leader, "Forced saving" (March 24), pointed out a few days ago, such proposals are needed quickly – but who in their right mind will give them any credibility if they come from a government which uses retrospective legislation to turn existing plans into crippling liabilities?

Steven T Slaughter,
Henfield Place,
Henfield,
Sussex BN5 9PH

Turkey cannot have EU membership if not liberal democracy

From Mr James Moorhouse MEP.

Sir, As a member of the European parliament's joint parliamentary committee with Turkey, I can assure Brian Gill (Letters, March 24) that Turkey's membership of the European Union is not being held back because Turkey is a non-Christian state. It is being held back because Turkey is not a liberal democracy.

Turkey has three serious deep-rooted problems which disqualify it from consideration as a liberal democracy. First, Turkey does not have unfettered civilian rule, as we have seen in the army's recent ousting from government and subsequent banning of the Islamic Welfare Party. Second, the Turkish authorities systematically and grievously abuse the human rights of their citizens, most seriously those of the sizeable Kurdish population in Turkey. All Kurds are denied the right to full freedom of expression, assembly and association, and the torture and summary killing of Kurdish civilians is routine. In the past 12 years, up to 20,000 Kurds have lost their lives in the conflict with the Turkish military – and most of these victims were civilians, not guerrillas. Third, Turkey does not have a properly independent judiciary. The constitutional court has proved itself to be a tool of the military, and lower courts have all-too-frequently participated in covering up human rights abuses by the authorities.

The EU is obliged by its treaties and the wishes of its people to preserve, untainted, its identify as a home for free and democratic nations. The European parliament will ensure this standard is upheld with regard to Turkey and all other present and future candidates for membership.

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ECONOMICS NOTEBOOK WOLFGANG MUNCHAU

Could Germany soften?

A change of government in Bonn might end decades of monetary orthodoxy

The German finance minister yesterday acknowledged that a small rise in inflation was "a price worth paying in the battle to achieve high levels of employment".

Of course, the German finance minister said no such thing. It is unthinkable that a representative of Europe's guardians of monetary stability would ever utter such words. But it may not be unthinkable for very much longer.

Helmut Kohl's centre-right coalition is in peril following the nomination this month of Gerhard Schröder as the social democratic candidate for chancellor in the September federal elections.

After 16 years of Christian Democratic Union government and a conservative regime at the Bundesbank, other European Union states take it for granted that German economic policy is driven by an obsession with price stability.

If forced to choose between high unemployment and a higher rate of inflation, an archetypal German central banker or politician would not hesitate to pick the former. Furthermore, they would not even acknowledge that the two are linked.

Germany has been a fully paid up subscriber to the so-called "policy ineffectiveness" theory, which says monetary policy has no long-term impact on jobs. In seeking to explain the rise in unemployment, German bankers have simply done what everyone else does: blame the government, the trade unions or the unemployed themselves.

A change in government in Germany might subtly change all this. While Mr Schröder is a moderate, Oskar Lafontaine, the Social Democratic party's leader, is an unreconstructed Keynesian. An SPD victory would mean the four largest economies in the EU – Germany, France, the UK and Italy – were run by centre-left governments, elected with a strong agenda of tackling unemployment.

What about central bank independence? The SPD supports it, but with less vigour than the CDU. Helmut Schmidt, Mr Kohl's SPD predecessor, constantly berated the Bundesbank for running what he saw as an incorrect monetary policy. More recently, he has launched a series of ferocious attacks on Hans Tietmeyer, president of the Bundesbank, for allegedly trying to boycott economic and monetary union.

Gerhard Schroeder

A more flexible German attitude, especially over a trade-off between inflation and employment, could narrow the political gulf between France and Germany over the conduct of monetary and fiscal policy under Emu.

Last year's ill-tempered negotiations over the stability pact, which seeks to limit budget deficits under Emu, was a case in point.

Germany sought automatic penalties for countries that exceed a deficit threshold, while France prevailed in its view that such penalties would be subject to a political vote. A German social democrat finance minister would never have pushed the argument that far.

German social democrats and French socialists also share a greater consensus on EU-wide co-operation in fiscal policy. They might agree to policy initiatives that have so far been kept outside the public debate. These could include a closer co-ordination – if not harmonisation – of tax policies, as well as the installation of a system of fiscal transfers to stabilise swings between booming and depressed economic regions.

These two areas mark the beginning of what is known in France as European economic government.

There is no German translation for this term. But it is an agenda with which the SPD might be relatively comfortable – if it boosted jobs.

Institutional arrangements and the legal and administrative environment of Emu are, of course, regulated by the Maastricht treaty. This limits the freedom of manoeuvre for newly elected governments.

The treaty demands the independence of the European Central Bank, whose main objective is stipulated as achieving price stability. The possibility of four left-wing governments confronted by an ultra-conservative central bank could open up disturbing possibilities.

If fiscal policy were to soften under the centre-left, monetary policy could overcompensate. The situation would be similar to that in the US in the early 1980s when a fiscal expansion prompted the Federal Reserve to raise rates sharply.

Under this scenario, the euro would become a strong currency, but for all the wrong reasons. Its strength would be based solely on high interest rates, not internal strength.

So far, Europe's central banking establishment has shown little flexibility in accommodating calls for greater accountability, or even transparency. Wim Duisenberg, president of the European Monetary Institute, the forerunner of the ECB and a leading candidate for the Bank's presidency, vigorously opposed the idea of the ECB publishing minutes of its council meetings. Jean-Claude Trichet, governor of the Bank of France and also a candidate, is equally opposed to such measures.

The clash of attitudes between the inflation hawks and the new political leaders could turn into a losing battle for the central bankers. The ECB will not, after all, enjoy the status or the reputation of the Bundesbank for some time.

Taking the argument one step further, the ECB's very independence could one day be at stake. The current arrangements for independence came largely at Germany's behest in exchange for a commitment to start Emu by 1999. If unemployment were to remain at its current high levels or even to increase as interest rates rise in the early years of Emu, the question of central bank independence could be revisited.

So far, the ECB is ringfenced by the treaty. But it could struggle to gain credibility if it does not enjoy full political support. It is conceivable that the ECB will recognise and accommodate the political change, and accept a degree of co-ordination with Euro-X, the grouping of finance ministers comprising likely Emu members.

Fiscal policy will probably remain within the guidelines set by the stability pact – helped by the cyclical economic upturn. And some form of "economic government" will crystallise over the next five to 10 years.

Eurosceptics would thus be seriously misguided in celebrating the possible demise of Mr Kohl's government. For them, it is going to get much worse.

FINANCIAL TIMES

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Monday March 30 1998

Swiss bunker mentality

For the past three years, Swiss banks have been under attack for handling Nazi wartime loot and sitting on money deposited by Holocaust victims. A combination of public outrage, boycott threats and lawsuits, mounted chiefly by Jewish groups in the US, have pushed the banks into an agreement in New York last week to negotiate an early "global settlement".

Such a deal would be welcome. There are doubts, however, whether it will be comprehensive enough to provide the speedy conclusion that is in the interests not only of the banks but also of ageing survivors of the horrors of more than 50 years ago.

Switzerland's responsibility is now established. It was involved in three quarters of the Third Reich's foreign gold transactions, and knew at the time that much of this was "victim gold" from countries and individuals. Its commercial banks have dragged their feet in disclosing dormant accounts; one was even caught shredding account documents. A commission chaired by Paul Volcker, the former US Federal Reserve chairman, is combing through these accounts, but only due to finish late next year.

As a result of these revelations, several US states have threatened to boycott the big three Swiss banks, and to thwart the planned merger between two of them, Union Bank of Switzerland and Swiss Bank Corporation. Some 18,000 plaintiffs have mounted a class action demanding $20bn in general reparations.

All this has reinforced the bunker mentality in Switzerland, where there has been talk of riposting by banning US companies from bidding for cellphone contracts and, absurdly, by denying US asparagus growers their second biggest export market.

A quick settlement is badly needed. It should take account of three points. First, the negotiations over compensation should reflect that Swiss banks and industry have already paid nearly $200m into a Holocaust victims fund; and that a statement of contrition has a value. Second, it should draw a definitive line under the past. What if the US plaintiffs settle with Swiss banks only to open a new front against, say, Swiss insurers?

Third, the Swiss government's recent boldness in setting up an international commission on its wartime behaviour and in proposing to sell some gold to fund a SFr 7bn Solidarity Fund for the victims of all catastrophes deserves credit. It should be contrasted with the reticence of Russia about wartime loot or of the Vatican about its wartime acquiescence in Jewish persecution. If the world goes on demanding ever more of the Swiss, the search for due compensation will lose some of its moral lustre.

Boris's choice

The events of the past week in Russia have proved one thing: Boris Yeltsin is still the ultimate arbiter of political power. Whether he knows what he is doing is rather more open to question. He has sacked his government just because he appeared to be tired of it, and appointed a political neophyte to form a new administration. He seems to expect the same contradictory mix of political and economic policies to be pursued as before, but he is doing nothing to make that task any easier. Mr Yeltsin is becoming part of Russia's problem, not its solution.

Sergei Kiriyenko, the hapless technocrat who has been thrust into the prime minister's job, has one apparent advantage: no one knows enough about him to oppose his appointment. Although he comes from the reformers' camp in the government, he may well be able to manoeuvre his way past the apparent hostility of the communists in the Russian Duma, and thus gain parliamentary endorsement. But that will be only the start of his problems.

At one level, Mr Yeltsin may have been right to sack the old administration, headed by Victor Chernomyrdin. It had become bogged down in rivalry between the reformers and the defenders of the status quo. But its bigger problem was the contradiction between budgetary rigour, essential to curb rampant inflation and stabilise the value of the rouble, and the political demand – supported by the president – to maintain employment and wages in a bloated and largely bankrupt public sector. Now Mr Kiriyenko is being ordered to perform the same impossible balancing act.

The other problem is that the government does not appear to have the authority to face down the insidious influence of Moscow's big bankers, men like Boris Berezovsky and Vladimir Potanin, who are also struggling for the ear of the president.

Mr Yeltsin's greatest success has been to keep his powerful courtiers squabbling, and ensure none emerges with decisive influence. But the price is that he provides no clear direction, and no support for Russia's fledgling institutions and legal system. His performance last week when he met Jacques Chirac, the French president, and Germany's Chancellor Helmut Kohl, suggests that he is getting more unpredictable.

In seeking to forge a sustainable economic policy, Mr Kiriyenko must maintain the drive to raise tax revenues, while keeping public spending under control. Instead of not paying wages, which has been the policy of desperation hitherto, he must cut the public pay roll. That will not be popular, and he will probably get no support from the Kremlin. But he has no alternative.

Educating Bill

President Clinton's Africa safari, which ends with his visit to Senegal tomorrow has not only raised the profile of a marginalised continent, and improved the image of a region associated with disaster. It has proved a salutary learning experience for Mr Clinton. It has brought home to him the enormity of Africa's problems, and the inadequacy of the US response.

When Mr Clinton landed in Ghana a week ago, he hailed the political and economic reforms that were part of the continent's "new renaissance". And he paid tribute to Africa's leaders for overcoming disasters for which the west had to take a share of the blame. He condemned the barbarity of the slave trade, but stopped short of the apology that many Afro-Americans seek. He acknowledged the terrible impact of the Cold War, when superpowers fought battles by proxy on African turf. And he admitted that the US had not done enough to stop the genocide in Rwanda in 1994.

But by the time he reached South Africa the optimistic note on which journey began had given way to a more sombre appraisal. Mr Clinton conceded the limitations of the Africa Growth and Opportunity Act, the main plank of US policy. Trade was not enough, President Nelson Mandela bluntly told his guest last week, and President Clinton agreed.

"Trade cannot replace aid", he said "when there is still so much poverty, flooding, encroaching deserts, drought, violence, threatened food supplies, malaria, AIDS and other diseases."

He went on to reassure African governments. America's offer of easier access to US markets to Africa's reformers would not come at the expense of US development assistance, he promised. He said he would urge Congress to restore African aid, currently worth $700m a year, to its historic high level of $830m a year. And he pledged greater support for efforts to reduce Africa's external debt burden.

Whether the president can persuade Congress to put these promises into practice remains to be seen. Nor did Mr Clinton deal with the problem of the military regime in Nigeria. Instead, he has muddied the waters.

The president has given the impression of backing away from the position set out by his most senior Africa policy maker, who said that the election of General Sani Abacha, Nigeria's military leader, in a presidential poll due later this year would be unacceptable.

But for all the shortcomings of US policy, Africa should welcome the fact that the world's most powerful leader has put the continent on his agenda. It is time other world leaders followed suit.

A takeover too far

The Pentagon has called a dramatic halt to five years of rapid consolidation in the US defence industry. Alexander Nicoll asks why

The Pentagon has torn up the rules of the game with its decision last week to block the proposed $9bn takeover of Northrop Grumman by Lockheed Martin. The move appears to end five years of active government encouragement of consolidation among defence contractors.

The defence department says it had clearly signalled its concern about anti-competitive aspects of the merger between two of the last three US military aircraft makers. But Lockheed was taken by surprise and infuriated. Northrop's top executives had already pocketed $150m in stock bonuses as reward for the deal.

In striking down the proposed merger, says Lawrence Korb of the Brookings Institution, a Washington think-tank, "I think the Pentagon is saying: 'Basically we can't go any further.'"

If that is the message, it is in sharp contrast to that of recent years. Since 1993, the departments of justice and defence have nodded through 37 transactions worth more than $62bn in an extraordinarily rapid rationalisation of the defence and aerospace industries. Famous names such as McDonnell Douglas, Martin Marietta and Grumman have disappeared as independent entities. The result has been what Jacques Gansler, the Pentagon's procurement chief, calls "a dramatic compression of the industry, both horizontally and vertically".

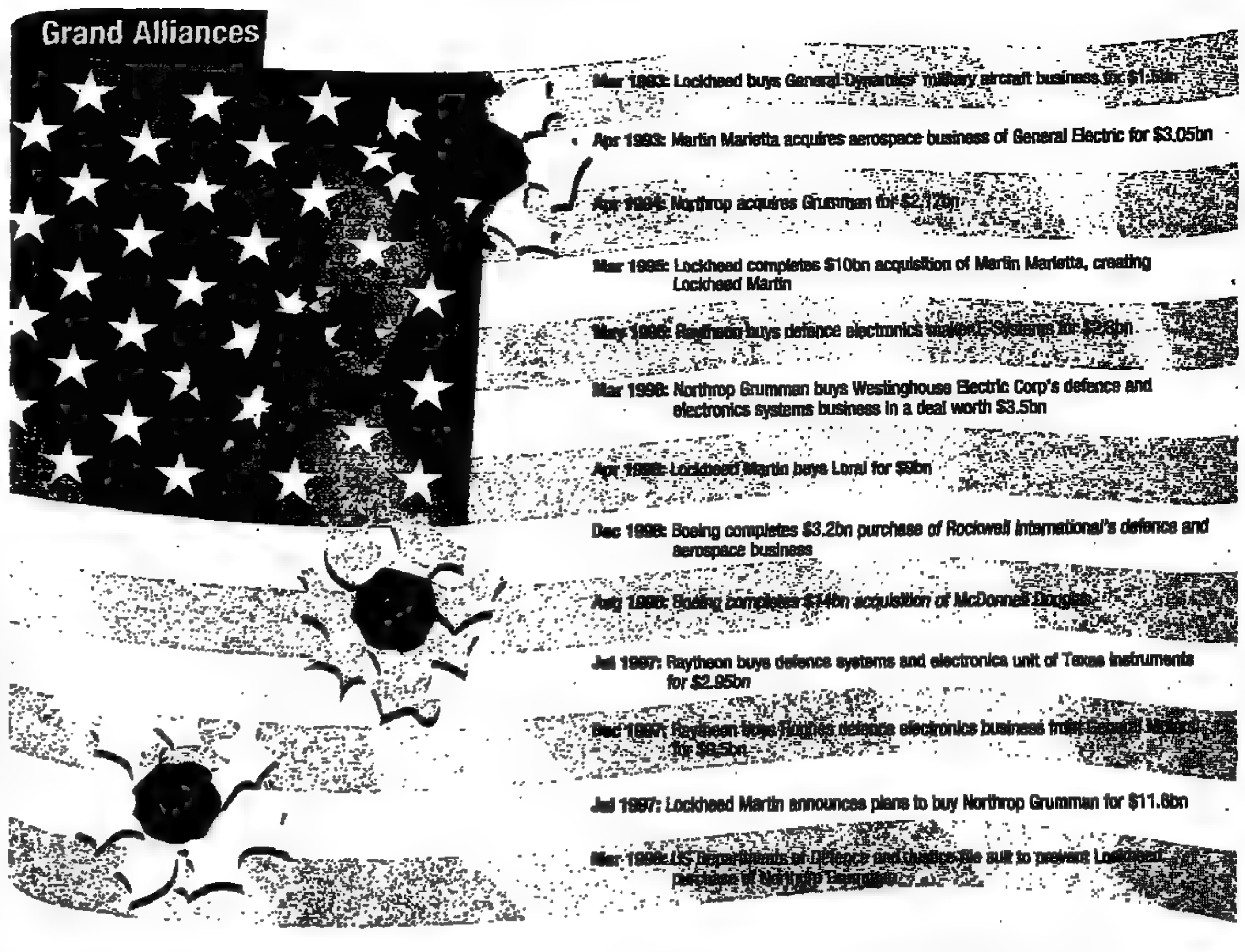
The defence department favoured restructuring because, with annual weapons spending down nearly 70 per cent in real terms since the mid-1980s, it could no longer support the bloated industry built up during the Cold war. Budgetary pressures have forced it to become a smarter buyer. This prompted it to encourage mergers in order to produce financially strong contractors and to put pressure on them to cut costs.

But for the Pentagon, this process may have gone too far. If the Lockheed/Northrop Grumman merger had gone ahead, Lockheed would have been able to build almost a whole aircraft – airframe, electronics and weapons – without inviting others to compete for important sub-contracts. It would have dominated areas of electronics in which innovation is vital, becoming one of only two builders of military aircraft.

"It's the combination of the vertical and the horizontal integration that have really hit us," says the Pentagon's Mr Gansler. He insists that the same criteria were applied to the latest deal as to previous mergers, and says he still wants to see further consolidation elsewhere in the industry to reduce excess capacity.

The Pentagon's stance on the Lockheed merger, however, appears to signal an intention to prevent acquisitions that would enable manufacturers to equip their platforms – aircraft, ships and tanks – exclusively in-house, with their own electronic systems. Increasingly, these systems are the high-value elements that give the edge to modern weapons. The Pentagon's position could rule out several potential mergers involving companies that make ships and military vehicles.

By preserving Northrop Grumman as an independent builder of aircraft, the Pentagon has shown it is uncomfortable with fewer than three competitors in most segments of the defence business.



Mr Gansler suggests Northrop might win significant business in the future.

Lockheed does not see the logic of keeping Northrop separate. It complains that the bar "constitutes a de facto policy reversal that treats this merger differently than all the others". The acquisition of Northrop would actually have enhanced competition, it argues, because it would have resulted in a manufacturer with the power to rival Boeing as an aircraft maker and Raytheon as an electronics company. Boeing and Raytheon are no doubt relieved that a total $27bn of acquisitions were approved last year before the Pentagon changed its tune.

According to Lockheed, the government's decision is based on a misunderstanding of how the industry works. "Vertical integration is not bad. What is bad is exclusionary conduct. We have a history which shows that we don't do that ... We are not going to favour our own electronic system if somebody else's is cheaper or better."

John Harbison of consultants Booz Allen & Hamilton says experience shows that aircraft makers do not unduly favour in-house systems over those of other contractors. Such conduct would risk losing orders. "The prime contractor wants to come up with the best design. If there is a sub-optimal solution in house, the last thing they're going to do is to keep it in the programme."

The biggest defence companies like to vaunt their skills as prime contractors managing programmes and integrating the complex systems that make up modern weapons. Although there are few of them, they claim to run real competitions for each sub-system, ensuring a keen price. "I understand the concern about sole-source production," says Peter D'Angelo, chief financial officer of Raytheon. "But there is a lot of competition in the industry."

However, the consolidation has produced an industry in which the main participants are involved in each other's activities to such a degree that the scope for pure competition is in doubt. Such concerns are bound to persist, even though companies are forced to erect "firewalls" to prevent the internal flow of sensitive information.

The big aircraft makers do work on most of each other's programmes. Boeing contributes to Lockheed's F22 Raptor, the US Air Force's new stealth fighter,

The Pentagon has made clear it now prefers not to see fewer than three competitors

as well as to Northrop's B2 stealth bomber. Northrop makes a significant proportion of parts for Boeing aircraft, including the F/A-18 E/F Super Hornet, the US Navy's new strike fighter, the C17 military transport, and the Boeing 747 civil airliner.

The aircraft industry is putting its all into a competition between Lockheed and Boeing to win the $100bn Joint Strike Fighter programme, which will supply three US services and Britain. But since this will probably be the last new US military aircraft to be built in numbers for perhaps 20 years, the Pentagon is likely to find a role for the loser in building the winning design.

The difficulty of preserving competition underlines the unusual nature of the defence business, which cannot easily be forced into the commercial rigour of other industries.

First, the government – hamstrung by bureaucratic conservatism and subject to strong political pressures – is its only buyer. The domestic market is finite and dwindling – though the Pentagon still has a not insubstantial $49bn to spend on new equipment in fiscal 1999.

Second, a weapons programme typically has a 10- to 15-year development period and is subject to extensive modifications because of changing perceptions of threat and experience of use in combat. Products are usually made in quite small numbers and at slow production rates, matching the customer's budgetary capacity and military needs.

Third, capabilities have to be maintained even when there is no demand. Raytheon, for example, produced 130 Patriot missiles a month during the Gulf war and has sinced souped them up with greater accuracy, sensors and range. But most customers have all they need for the moment.

These factors mean that, however much companies are driven by commercial pressures or the Pentagon to make savings through mergers and tighter business practices, there are always likely to be constraints on cost-cutting.

The problem for traditional defence companies is compounded by the fact that technology is fundamentally altering the nature of their business. Instead of using entirely bespoke products that break new ground in technology, the military increasingly finds itself having to incorporate off-the-shelf products developed for purely commercial use, especially in information technology and computing.

Microsoft is not thought of as a defence contractor. But its software is on every screen in the Pentagon. Mr Gansler wants to attract others. "Hewlett Packard is a world-class corporation in the electronics business, but it doesn't take R&D contracts from the defence department because of the odd way we do business – cost-accounting systems and other requirements." That will require changes at the Pentagon, he says.

This raises the prospect that, rather than a dwindling number of defence suppliers, there could be a new set of commercially oriented, high-technology providers of next-generation military equipment.

"The question for the Pentagon is not will I have competition now, but will I have competition in 20 years' time," says Mr Harbison of Booz Allen.

With its decision on Lockheed, the Pentagon may be signalling just that: it is prepared to pay for some market inefficiencies among platform makers now in order to promote future competition among high-technology suppliers. Although the aircraft may carry the name of a traditional manufacturer, the real value-added will be in the systems that make it fly and direct its weapons. It is here that the Pentagon must make sure it preserves competition.

By keeping alive more platform makers than is strictly necessary, the idea may be to encourage them to team up with a widening range of electronics and high-technology suppliers to bid for new programmes. This would serve the purpose of driving competition, innovation and low prices in the areas where future weapons will have their lethal edge.

OBSERVER

Sacrificial lambs

Tens of thousands of sheep will meet a sticky end across Turkey next week during the Feast of Sacrifice, when the better-off slaughter an animal, give meat to the poor and have a feast. The government of Prime Minister Mesut Yilmaz may face its own sticky end soon after.

The fragile coalition depends on the parliamentary co-operation of Deniz Baykal's left-wing Republican People's party. But Baykal now says the government has reached the end of its "natural life", and is apparently set to precipitate early elections. Polls do not have to take place until 2000, but could be held as early as October: coalition leaders are expected to meet after the Feast of Sacrifice holiday.

Baykal's calls for early polls have been getting louder amid a power struggle between Yilmaz and military leaders over the army's determination to wipe out radical Islamic activity. Last week the generals delivered a humbling put-down to Yilmaz on the issue, which didn't help a government already under fire for inability to deal with triple-digit inflation and other economic difficulties.

But the top brass may have overplayed its hand. The generals fear that early polls might see a surge by the Virtue Party, the new Islamist umbrella for most of the banned Welfare Party. But their strongarm tactics may have made it easier for Baykal to sacrifice Yilmaz.

Then again, it might just be that the military is confident of remaining in control, whatever happens.

Staying home

After India's change of government, new ministers are busy moving into their big official bungalows, sunk deep behind the neem trees in South Delhi's boulevarded VIP enclave.

With high office comes the panoply of Indian VIP security – armed guards, chauffeurs, official cars and escort vehicles, gates topped with barbed wire and Portakabin offices to vet visitors.

At least it does for more new ministers: but not for defence minister George Fernandes, leader of the Samata party, India's most famous socialist, scourge of foreign multinational companies and ardent campaigner for freedom and democracy in Tibet and Burma.

George, as the Indian media knows him, is staying put in his large, sparsely furnished and slightly peeling bungalow. He has refused to have an armed guard at the gate – or even a gate. Scorning a chauffeur, he drives his own Premier Padmini, an ancient, locally-made Fiat that has no air conditioning.

He sometimes walks the kilometre or so to parliament, unprecedented in Delhi "VIP culture" where status is directly proportional to the number of cars in the ministerial cavalcade. He takes the stroll "only when it's not too hot", explains one of his three staff – about a tenth of the usual ministerial household.

Neither will George evict the members of the All Burmese Students League, a Burmese opposition group whose members have squatted in the safety of his quarters since 1992.

George was apparently reluctant to take the job at all. It wasn't the security fuss that put him off, he knew he could get round all that: he just didn't like the idea of having to dress up smartly for all those meetings with brasshats.

Sinking

In 1912, a Spanish football team took the name of a famous ocean liner. Now the success of a film about the ship isn't rubbing off on the brave footballers from Pola de Laviana in the northern Asturias region.

The club plays in Spain's third division – a bit of a euphemism as there are two second divisions – and is now near the bottom. Like its ocean-going inspiration and most of the Asturias coal mines, it looks like Real Titánica is going down.

Silicon ballyhoo

Silicon Valley is buzzing about a forthcoming book by Gil Amelio, the former chairman of Apple Computer and self-styled "transformation" specialist. Due next month from Harper Business, On the Firing Line is Amelio's account of his 500 days at Apple – and in particular the days before he was ousted.

Amelio claims that Steve Jobs, now Apple's interim chief executive, and Larry Ellison, chairman and chief executive of Oracle and also a member of Apple's board, conspired to undermine the board's confidence in him.

He describes Jobs as an "erratic" and a "manic" manager, says other Apple executives were insubordinate and arrogant and has a go at some of the journalists who reported Apple's management turmoil.

Amelio's book follows in the footsteps of Odyssey: Pepsi to Apple by John Sculley, former chairman and chief executive, chronicling his early experiences at Apple. At least Sculley did manage not to sound like a dented ego out for revenge.

Hot meals

The UK's More Group and France's Decaux have been arch-rivals for years in the cut-throat world of scented bus shelters, illuminated billboards and self-cleaning public loos. Now Decaux is threatening to spoil More's plan to sell itself to Clear Channel of the US with a bid of its own.

More chief executive Roger Parry is keeping a stiff upper lip: every offer will be considered impartially, he insists.

But there's one thing about Decaux's possible bid which clearly grates: the French group has hired Lazard Brothers to advise it. "I know Marcus Agius (Lazards vice chairman) very well," says Parry: "I had dinner with him three weeks ago. And I had breakfast with Nick Shott (the other Lazards director advising Decaux) the week before that." Observer hopes that Lazards picked up the bill.

The Financial Times 100 years ago

A Revolution in Cab Travel

People who go down to the City in cabs, or it may be to the West End, must apparently resign themselves to the prospect of great changes. The real revolution in street traffic has yet to come; we have no doubt that motor enthusiasts still believe that in a year or two we shall all be riding in mustard-coloured vehicles whose motion is accompanied by a noise resembling that of a lawn-mower, or in carriages which snort like Puffing Billy, emit the vilest of odours and occasionally vary the monotony by blowing up.

But there is more to come. The days of lavish fares, demanded with no regard to the time or distance of the journey, are numbered. When the maiden lady from the country, whose notions on fares are decidedly provincial, departs from her vehicle with a wealth of impediments, the cabby's lurid improvisations on human nature in general and the fair sex in particular will lose some of their force.

The change is to be worked by a device called a taxameter, an automatic indicator which is put in motion by a flexible driving shaft attached attached to the wheel axle. In Berlin, 3,500 of these devices are regularly employed. Cabmen like them and passengers will not be without them.

FINANCIAL TIMES
MONDAY MARCH 30 1998

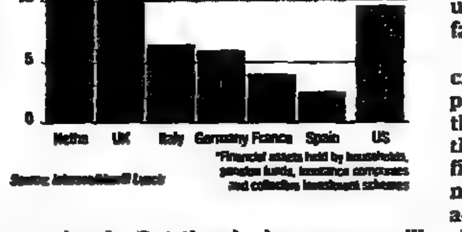
THE LEX COLUMN

Capital project

When Europe's leaders met at Maastricht in 1991, the last thing they intended was that monetary union should be a vehicle for spreading Anglo-Saxon capitalism. But that will be the most dramatic effect of the single currency. The euro will spur the creation of a gigantic single European capital market like America's.

There will be more equities and corporate bonds. And, as it grows, the capital market will exert its influence on all other sectors of the European economy. It will increase the pressure on companies to perform. Pursuit of shareholder value, hostile takeovers and better corporate governance – all will become increasingly prominent features of the European landscape.

Home country bias
Foreign assets as a % of total* (1996)



*Financial assets held by households, pension funds, insurance companies and collective investment schemes

Source: Intersec/Merrill Lynch

Investors

Europe's capital markets are still highly fragmented. Savings barely flow across frontiers. In Germany, France and Italy, only about 5 per cent of financial wealth is held abroad. Even in the UK and the Netherlands, the proportion is only 15-20 per cent. This is largely due to currency frontiers. In most countries, regulations require insurance companies to hold the bulk of their assets in the home currency. Even when there are no bars, many investors are deterred from venturing abroad by fluctuating exchange rates.

Rub away the currency frontier – as happens in euroland next year – and capital will no longer be trapped at home. Savers will focus less on the risk of foreign investment and more on the risk of keeping their eggs in one basket at home. They will gravitate towards those investments which promise the best returns. Companies will have to compete more vigorously for funds; no longer will they be able to rely on stagnant pools of domestic capital.

European investors hold few shares. In France, Germany and Italy, only about 20 per cent of financial wealth is in equities. The exceptions again are Britain, where the proportion is over a half, and the Netherlands, where it is more than a third. Unsurprisingly, both are countries where private pensions are popular. Moreover, corporate bonds – a big asset class in the US – barely exist in Europe.

In most countries, the traditional investments have been cash and government bonds. But the single currency will accelerate a shift towards Anglo-Saxon portfolios. EMU-inspired macroeconomic discipline will spur the creation of private pensions.

The monetary and fiscal straitjacket is also cutting the supply of government bonds and, in peripheral countries, reducing interest rates. Investors are already on the hunt for alternative assets promising higher yields and/or capital gains: corporate bonds and equities seem to fit the bill. The torrent of money pouring into Italian mutual funds is a harbinger.

Companies

The flip-side of the coin to investors' cash-biased portfolios is companies' debt-biased balance sheets. Gearing in continental Europe is high – Italy's, for example, is about twice the UK average – and the lion's share of the debt is bank borrowing.

At present, there is insufficient corporate paper to satisfy the growing demand – something helping fuel the bull market. But continental companies are already taking advantage of boom conditions to issue new equity while the nascent junk bond market is also taking off. In time, family-owned groups – which are such a feature in Germany and Italy – will be tempted into the capital markets. Even when the frenzy subsides, the availability of large liquid bond and equity markets will act as a lure.

All this spells trouble for Europe's banks. Not only do they risk being cut out of the process of recycling capital from investors to companies; the euro's arrival will also sharpen competition for whatever traditional banking business remains. Once denominated in the same currency, loan and deposit rates will be directly comparable across euroland. The market will be unforgiving to those banks, like Italy's, which manage to cover up their inefficiencies only by charging fat interest margins.

There will be winners too. Britain's efficient and innovative banks would be well placed to clean up – except for the fact that the UK will not be in euroland from the start. One consequence is that British financial institutions could face discrimination if they try to acquire counterparts across the channel. Already there are signs of France, Germany and Italy forming an inner club.

Financial intermediaries

Other potential winners are insurance companies, fund managers and investment banks – which have an edge in purveying bonds and equities. In insurance, the Europeans look well placed. But, in investment banking, the risk is that the US investment banks will run circles around them.

The role of financial intermediaries will not merely be to respond passively to investors' and companies' wishes. They will also be important actors in driving forward the creation of an integrated capital market. As they develop distribution networks throughout euroland, they will accelerate the shift in portfolios and balance sheets towards the Anglo-Saxon model.

The intermediaries will also be agents in harmonising the financial infrastructure. Takeover rules, corporate governance norms, accounting conventions, savings tax regimes, performance measurement techniques and securities regulations – all these differ across Europe. That will prevent Europe's capital markets being fully integrated at the time of the euro's birth. But the international flow of capital will grind these differences down. That will lead to a virtuous circle, encouraging more capital to flow across frontiers and further eradicating differences. It promises to be a white-knuckle ride.

PILOT FINDS MERCHANTS ARE STOPPING AMERICANS USING TECHNOLOGY

Shop assistants stand in way of smart cards

By John Authers in New York

Store assistants have emerged as the biggest obstacles preventing American shoppers paying with "stored value" cards embedded with a computer chip – or smart cards as they are called in the US.

A six-month pilot scheme, run by a consortium including Citicorp, Chase Manhattan, MasterCard and Visa, was launched to discover why the US has been far slower than the rest of the world to encourage use of stored value cards. The banks' most ambitious programme yet ends this week in Manhattan's Upper West Side.

Many merchants say they are unhappy with the cards – where accounts are kept on the embedded computer chip and the value is carried on the card – and take-up by consumers has been unimpressive. Only about 10 per cent of the 40,000 cards distributed last October have been used.

However, the banks involved say the take-up rate compares favourably with the early days of automated teller machines and debit cards in the US.

Participants in the pilot scheme said they were happy with the performance of the technology, which allows two different card systems to be operated on one terminal – the first time this has been achieved.

But as Citicorp said: "We learnt a little more than we expected to learn. We under-estimated the difficulty that we would have at the merchant terminal."

Carole Lockie, who heads the project for Visa, said the consortium was embarking on a campaign to educate merchants – and in particular shop counter staff.

She accepted that consumers often had difficulty persuading cashiers to accept payment by smart cards: "In some respects, at this point the burden is on the consumer who understands the product to train merchants."

Attempts by the Financial Times in the past week to buy items in the test area using either Citibank's Visa Cash or Chase's Mondex card appeared to confirm this. The cards usually induced looks of horror or bemusement behind the counter.

Several merchants said in the early weeks of the scheme that the machines for operating the cards did not work – a claim flatly denied by all members of the consortium – and refused to accept them.

An attempt to buy a packet of Rolaids anti-indigestion tablets at the Food Emporium on Broadway proved difficult. First, an assistant said his machine was broken, although the card could be used at any of the other aisles. Twenty minutes later, at another aisle, the assistant inserted the card into the machine upside down – so that the chip never made contact – and then asked for cash.

An attempt to buy a packet of tofu at a health food shop on Amsterdam Avenue met the same response. "It's a great idea," said the assistant helpfully, "but the machines don't work."

Starbucks on Columbus Avenue, the most popular coffee shop in the area, laughed at the suggestion of paying for a cappuccino with a card. The Starbucks chain still refuses to take anything other than cash.

However, the education campaigns at the larger retailers are having an effect, with attempts to buy a Big Mac in McDonald's, a book of stamps at a post office and a cauliflower at Fairway greengrocers all proceeding smoothly. Smart cards were also used to get shoes shined and to buy a bagel.

Smart cards fail to impress American shoppers, Page 4

Europe faces poor harvest after frosts damage fruit

By Gary Mead in London

European fruit farmers are counting the cost of last week's frosts and snowfalls, which have badly damaged crop prospects for the summer.

The year may well be a repetition of 1997, when early frosts were followed by hailstorms and winds that knocked much of the ripening fruit from the trees. This year the damage has been caused earlier, and specialists predict it could be much worse.

The problem has been worsened by an unseasonably warm winter, with higher average temperatures than for many years. This has induced early budding and flowering of cherry, apricot, pear, apple and other deciduous trees throughout the leading Mediterranean growing regions of Italy, Greece, Spain and southern France.

The greatest damage has been in Italy, where local growers say the cherry harvest has been almost wiped out, with losses of at least 80 per cent. Apricot and kiwi fruit harvests will also be seriously affected.

Pear and apple trees have been less seriously damaged because they bud later than trees bearing softer fruits. Italy is Europe's top producer of apples and pears.

Initial estimates suggest up to half of Italy's peach and pear harvest has also been lost. In the main peach-growing area, temperatures have been as low as -8°C.

Italy's deciduous fruit sector is estimated to be worth $2.5bn a year. Farmers say the cost of the bad weather is hard to quantify at this stage, but processors and exporters are forecasting a serious shortage of a wide range of canned fruits.

In the Po Valley, Italy's main fruit-growing region, early estimates are that losses will exceed a third of the annual turnover of $551m.

"After last season's 40 per cent shortfall in peaches and pears, the processing industry has no carry-over stock and faces the real prospect of insufficient fruit to meet demand this season," said Walter Zanré, manager of Mediterranean Growers, the UK distribution subsidiary of Conserve Italia, Europe's biggest fruit processor.

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Challenge: Victor Chernomyrdin, left, sacked as Russian premier last week by Boris Yeltsin, right, plans to run for president in 2000 Page 2

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

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http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

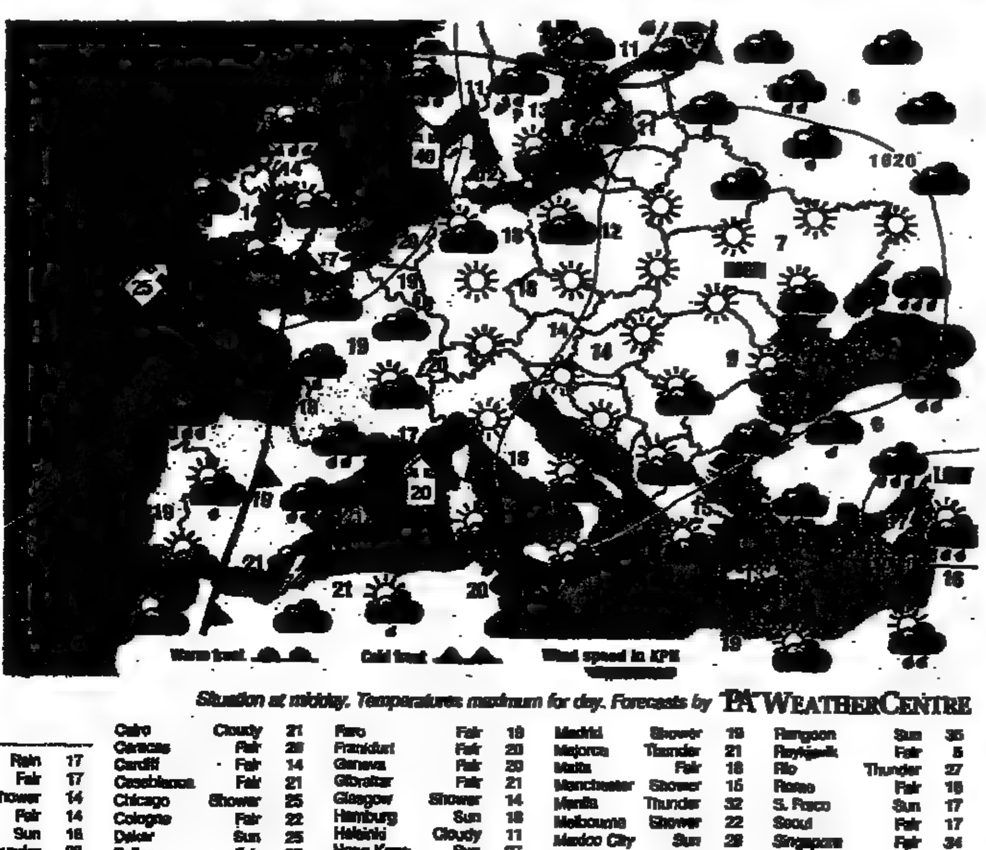
FT WEATHER GUIDE

Europe today

Most of Scandinavia will be mild and cloudy with rain. However, the far south will be largely dry with sunny spells. Central Europe will be mild and dry with plenty of sunshine. Eastern Europe will also be sunny but it will be cool. Western France and the Iberian peninsula will continue to have rain, with heavy thunderstorms near the Pyrenees. Central parts of the Mediterranean will be sunny and warm, but showers will break out further west. The eastern Mediterranean will be cool with showers.

Five-day forecast

The unsettled weather, with spells of rain over western parts of Europe, will move east, affecting central areas by midweek. Colder air will push across northern parts of Russia and Scandinavia into the Low Countries and the Baltic states towards the end of the week.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Cloudy	29
Accra	Thunder	34
Algiers	Shower	21
Amsterdam	Fair	20
Athens	Fair	15
Atlanta	Sun	20
B. Aires	Fair	23
B.ham	Cloudy	16
Bangkok	Fair	36
Barcelona	Rain	17
Beijing	Fair	17
Belfast	Shower	14
Belgrade	Fair	14
Berlin	Sun	16
Bermuda	Thunder	23
Bogota	Thunder	20
Bombay	Sun	35
Brussels	Fair	19
Budapest	Sun	14
C.hagen	Fair	12
Cairo	Cloudy	21
Caracas	Fair	28
Cardiff	Fair	14
Casablanca	Fair	21
Chicago	Shower	25
Cologne	Fair	22
Dakar	Sun	25
Dallas	Fair	27
Delhi	Sun	35
Dubai	Cloudy	30
Dublin	Shower	14
Dubrovnik	Sun	17
Edinburgh	Fair	14
Faro	Fair	18
Frankfurt	Fair	20
Geneva	Fair	20
Gibraltar	Fair	21
Glasgow	Shower	14
Hamburg	Sun	18
Helsinki	Cloudy	11
Hong Kong	Sun	27
Honolulu	Fair	28
Istanbul	Rain	8
Jakarta	Thunder	33
Jersey	Rain	13
Jo'burg	Shower	21
Karachi	Sun	33
Kuwait	Fair	27
L. Angeles	Fair	17
Las Palmas	Fair	24
Lima	Sun	30
Lisbon	Rain	19
London	Rain	17
Lux.bourg	Fair	19
Lyon	Fair	20
Madeira	Shower	21
Madrid	Shower	19
Majorca	Thunder	21
Malta	Fair	18
Manchester	Shower	15
Manila	Thunder	32
Melbourne	Shower	22
Mexico City	Sun	28
Miami	Shower	30
Milan	Sun	21
Montreal	Shower	21
Moscow	Drzzl	6
Munich	Sun	18
Nairobi	Fair	27
Naples	Fair	18
Nassau	Thunder	28
New York	Sun	28
Nice	Fair	17
Nicosia	Shower	17
Oslo	Rain	11
Paris	Fair	18
Perth	Sun	32
Prague	Sun	16
Rangoon	Sun	35
Reykjavik	Fair	5
Rio	Thunder	27
Rome	Fair	18
S. Frsco	Sun	17
Seoul	Fair	17
Singapore	Fair	34
Stockholm	Fair	13
Strasbourg	Fair	21
Sydney	Fair	25
Tangier	Fair	20
Tel Aviv	Shower	16
Tokyo	Fair	18
Toronto	Fair	27
Vancouver	Rain	12
Venice	Sun	18
Vienna	Sun	14
Warsaw	Sun	12
Washington	Sun	31
Wellington	Shower	18
Winnipeg	Fair	2
Zurich	Sun	20

FINANCIAL TIMES
COMPANIES & MARKETS
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MONDAY MARCH 30 1998
Week 14

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INSIDE

Liffe set for shake-up

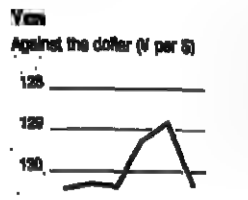
The resignation last week of David Kyte from the board of the London International Financial Futures and Options Exchange could mark the start of an extensive reshuffle among the executives of Europe's largest derivatives market. Mr Kyte's frustration with what he describes as "Liffe's apathy" in introducing new technology was partly responsible for his departure. He was also motivated by a disagreement over Liffe's main source of revenues, the fees the exchange charges on every trade. Page 18

Priorities clear at Morgan assets arm

Everyone wants to know how J.P. Morgan's asset management arm, with about $280bn of assets under management, can compete and expand in a rapidly consolidating market. Ramon de Oliveira, its head, has three priorities. The first is to maintain the company's leading position in providing defined-benefit pension plans. Number two is expansion into the faster-growing market of defined-contribution pensions. Third is increased profitability. Page 17

CURRENCIES

Tough week ahead for the yen



Source: Datastream/ICV

The yen is under fire. It closed last Friday debilitated at Y130.3 to the dollar, even though Tokyo has talked it up. Officials hope to boost the Nikkei 225 share average until Tuesday, the end of the fiscal year, to help Japan's fragile banks, which put the year-end values of their shareholdings on their balance sheets. On Wednesday, the "Big Bang" of financial deregulation begins. Japanese investors are likely to seize the opportunity to place more money abroad. On Thursday, the Bank of Japan's quarterly industry survey is expected to be disastrous. Page 23

EMERGING MARKETS

Yeltsin sackings lift Russian shares

The Russian equity market appears to have weathered the upheaval caused by President Yeltsin's sacking of the cabinet last week, with a gain of almost 2 per cent on the week. Although Russia is one of the more volatile markets, it is exactly such sharp price movements that make it attractive for funds taking a high risk-high return strategy. As sentiment towards Russia turns cautiously positive, global emerging market funds and eastern European funds are once again focusing on the country. Page 19

MARKETS THIS WEEK

New York

The week ahead is light on corporate earnings announcements, but thoughts are turning to the flood of first-quarter results that begin the week after next. The possibility that the numbers will disappoint was one factor keeping the Dow Jones Industrial Average below the 9,000 level last week. Page 20

Frankfurt

BMW, Deutsche Bank, Commerzbank and Grundig all present details of last year's business. Bayerische Hypo and Bayerische Vereinsbank, the two big Bavarian banks that are merging, present their first joint earnings press conference tomorrow. Page 20

FT GUIDE TO THE WEEK

– full listings Page 32

SOLVING CIVIL STRIFE
A two-day conference on the role of humanitarian action in internal conflicts begins in Geneva on Thursday. The International Committee of the Red Cross and the United Nations High Commissioner for Refugees will be among those participating.

EL NINO UPDATE
On Tuesday, the World Meteorological Organisation releases its latest update on how the El Niño weather event is affecting the world's climate. The current El Niño, the most powerful this century, has brought drought to some regions and violent storms to others.

ASIA-EUROPE SUMMIT
Leaders of the EU and 10 Asian countries convene in London for the second Asem (Asia-Europe meeting) summit on Friday. The Asian leaders will be seeking a greater engagement from Europe in Asia's affairs.

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DIAGEO DISPOSAL CASH PURCHASE MEETS FTC REQUIREMENTS FOR GUINNESS-GRANDMET MERGER

Bacardi in $1.83bn deal for Dewar's and Bombay brands

By William Lewis in New York and John Willman in London

Diageo, the world's largest drinks company, will today announce it has completed the sale of the Dewar's scotch whisky and Bombay gin brands to Bacardi-Martini for about $1.83bn, according to executives close to the deal.

Bacardi, the Bermuda-based maker of the white rum, is paying substantially above expectations. Analysts thought the brands would bring in less than $1.2bn but the interest of most of the world's large drinks companies, joined by several financial buyers in a starting field of more than 20, ensured the higher price.

Diageo and Bacardi signed the cash deal on Friday evening in London. The sale was required by the US Federal Trade Commission as a condition for approving the merger of Guinness and Grand Metropolitan in December.

The auction was conducted by Credit Suisse First Boston, the investment banking arm of Credit Suisse, the Swiss bank. The FTC had given Diageo until June 6 to make the disposals to a single buyer.

The acquisition of the two brands is a step in Bacardi's strategy of becoming the world's "number one" spirits company.

In 1992, it acquired Martini, the Italian company that produces the eponymous vermouth as well as Asti Martini, the sparkling wine.

That brought it a scotch whisky in William Lawson's, which has raised sales 36 per cent in the last five years to 1.02m 9-litre cases in 1997, according to Drinks International Bulletin. Bacardi rum is the world's best-selling spirits brand, with 19.6m cases sold last year.

Dewar's, with annual sales worth more than $520m, has been losing market share since 1993 – down 9.7 per cent to 2.8m cases last year.

Analysts estimate it contributed about £60m to Diageo's pre-tax profits, net of perhaps £40m on marketing expenditure.

Diageo can shrug off the sale, with four other scotches selling more. Its Johnnie Walker Red Label is the global leader at 7.9m cases.

For Bacardi Dewar's offers market leadership in the US premium scotch market where it sells 1.5m cases, compared with just over 800,000 for the number two, Diageo's J&B Rare. It is also number four in Spain and three in Greece.

Bombay gin is also a useful addition, but with 600,000 cases sold last year it is far behind market leaders such as Gordon's, 5.4m cases, and Gilbey's, 2.5m cases.

Diageo owns both brands and Tanqueray, number six globally. Bombay contributed less than £10m to its pre-tax profits last year.

But Bombay has been growing fast – 28 per cent last year – and offered a chance to acquire a premium gin in a field much smaller than whisky or brandy. Such opportunities are few, which accounts for the price that far exceeded the $84m analysts had estimated.

The deal must be approved by the FTC and the European Commission, but there are unlikely to be serious objections on competition grounds, since Bacardi has no other gin and only Lawson's in scotch.

Diageo was also required by the EC to shed some smaller brands, including Ainslie's scotch and distribution rights to Gilbey's gin in Belgium and Luxembourg.

DFS, the duty-free shopping chain controlled by LVMH, has put a two-month freeze on payments to more than 40 suppliers, including many of the largest drinks, tobacco and luxury goods groups. DFS has been hit by the Asian turmoil. LVMH chairman Bernard Arnault, above, has said that if the Asian situation remained as it was this month, DFS should make a "weak profit" in the first half of 1998. Report, Page 16

Airlines telecoms provider may float

By Christopher Price

Sita Telecommunications Holdings, a global telecoms group, is considering a stock market listing likely to value the group at more than $1.5bn.

STH is a Dutch-based holding group for Equant, a company supplying telecoms services to its airline owners and other organisations, and ITS, a software and information technology concern.

Like many telecoms and IT groups, STH has been experiencing strong growth in the past two years. Revenues in the year to December 31, 1996, amounted to $390m, an increase of 16 per cent on 1995. Analysts believe these could increase to more than $500m in this year.

Equant, based in Atlanta, Georgia, owns lines, switches and hubs in 225 countries, leasing and using third party lines for transmission where necessary. Besides airlines, its main customers are multinational corporations. Its competitors are alliances such as Concert and Global One.

STH believes its high-speed network is suited to the fast delivery of data with a potentially huge market among large corporations. Any new money raised in a flotation would be used in the development of the network and the increased provision of additional services, such as data management.

Sita, the Société Internationale de Télécommunications Aéronautique, a non-profit organisation created in 1949 to provide telecoms services for its airline members, owns 60 per cent of STH.

Morgan Stanley Capital Partners, part of the US investment bank, has a 30 per cent share, with the remaining 10 per cent owned by employees.

The New York Stock Exchange is understood to be the most likely place for a listing, with a European market such as Amsterdam and Paris also likely to be considered.

The group's management was strengthened in December with the appointment of Duncan Lewis, 46, former chief executive of Mercury Communications in the UK, as an executive vice-president for strategic development.

Mr Lewis joined the group after the failure of an attempted management buy-in at Racal Telecom, the UK telecoms arm of Racal Electronics.

TAKEOVER BATTLE AMERICAN AND BRITISH GROUPS FIGHT OVER DATABASE MARKETING COMPANY

ABI makes 'final' bid for Metromail

By William Lewis in New York and Gautam Malkani in London

The bid battle for Metromail, the US database marketing group, took a new twist over the weekend when American Business Information raised its offer in a final attempt to see off a competing bid by Great Universal Stores of the UK.

On Saturday ABI, the Omaha-based business information group, informed the board of Metromail that it was raising its bid to $37.48 per share, comprising $35 a share cash and 0.2 shares of ABI Class A common stock. ABI described the raised bid as "its best and final offer" and said it was nearly $3 a share above GUS's offer of $34.50 per share. ABI had been bidding $33 a share.

Yesterday advisers to ABI said the Metromail board would have to meet to determine whether ABI's offer should formally be termed a "superior offer". Meanwhile GUS would also be deciding whether to raise its offer to better ABI's, the advisers said.

Yesterday Metromail could not be reached for comment. In London during the evening, GUS said it is "considering its position" and that "hopefully we will have a response later on today".

In a statement issued by ABI on Saturday, the company said it "notes that the cash portion of its proposal is superior to the totally cash value offered by GUS, and the equity component of ABI's offer provides an opportunity to participate in the combined future entity".

On Thursday, after GUS had increased its offer from $31.50 a share to $34.50 a share, valuing Metromail at $910m, ABI had indicated to Metromail that it would bid 25 cents a share higher than any bid by GUS. On Friday, a Delaware Chancery Court judge rejected ABI's attempt to halt the GUS-Metromail agreed takeover.

Under the terms of Metromail's takeover agreement with GUS, ABI had to submit its new bid on Saturday, giving Metromail's board sufficient time to determine whether it represented a superior offer before 11.59pm on Saturday. Advisers to ABI said yesterday that it was unclear whether Metromail's board had met.

If ABI had failed to raise its offer, GUS's bid for Metromail would have gone unconditional tomorrow.

If GUS does decide to raise its bid, it is likely to be greeted unfavourably by investors, according to City of London analysts. They argue that GUS's decision to raise its bid had set a dangerous precedent for the UK company in relation to its hostile £1.6bn cash bid for catalogue retailer Argos. Analysts said investors would think that if GUS were prepared to chase Metromail, it would be even more determined to win Argos – and that would mean a higher offer.

In a move that could force GUS to increase its bid, Argos is expected to announce a share buy-back of more than £350m. It could be announced by the end of this week if the UK's Office of Fair Trading gives the go-ahead to GUS's 570p a share bid. The OFT is expected to recommend whether to refer the bid to the Monopolies and Mergers Commission tomorrow.

PETER MARTIN
GLOBAL INVESTOR

Caught in bubble trouble

Does the debate about the lessons to be learnt from Asia matter to international portfolio investors? Only up to a point. Stanley Fischer, the International Monetary Fund's first deputy managing director, sums up the lessons to be drawn from Asia in today's Financial Times (Page 12). As far as emerging economies are concerned, he says, the world needs improved data, sharper surveillance by the IMF, stronger local financial systems, higher standards in bankruptcy and accounting, and more prudent capital account liberalisation.

Each of these is potentially contentious, as the IMF's agonised internal debate on surveillance, reported on the front page, reveals. Reforms that are the subject of such controversy are often implemented only slowly, or in partial form. Attempts to improve the transparency of data about emerging economies after the Mexico crisis bear witness to these difficulties. Worse, many of the reforms have limited value in protecting investors against the boom-bust cycle in emerging markets. Does anyone seriously think that better accounting in Thailand or clearer information about Korea's capital flows would have deterred overseas investors?

The academic literature on how markets work casts some light on this question. For many years, academics have argued that markets are efficient, in the sense that they accurately reflect each piece of information as it emerges. If prices of individual securities get momentarily too high or too low, they are quickly arbitraged back into line.

The IMF's emphasis on more information – from emerging economies and from the Fund itself – fits neatly into this view of the world. A steady flow of accurate information would quickly be reflected in prices, preventing bubbles from forming and minimising the risks of an abrupt loss of confidence.

But over the past two decades, holes have been poked in the efficient market theory, in a way that casts light on Asian bubbles. Individual securities are kept in line by the power of arbitrage – but whole asset classes may be too big for the arbitrage effect to work. Even the very biggest hedge funds can scarcely sell short the whole of the south-east Asian equity market. And even when they do take bear positions, they can influence prices for the entire asset class only when they are working with the grain of market momentum, not against it.

The conclusion for investors is that bubbles in broad asset classes can occur, often based on the belief that some transforming change has happened, that "this time it's different". This sort of view is most plausible in rapidly growing economies, sufficiently far away from the main centres of finance to blur investors' perceptions.

Because such bubbles can last for a considerable time, it may be too dangerous to bet consistently against them. Rather, the trick may be to "ride" the bubble, seeking to jump off before it bursts.

In principle, better information (at country and corporate level) will help investors time that decision correctly. In practice, however, it may simply change the moment at which a bubble-destroying panic occurs. And since the information flow starts to deteriorate just at the point at which it becomes critical, it may prove difficult to use it effectively to time disinvestment.

The alternative approach to solving the problem of bubbles in emerging markets, proposed by some economists, is to place limits on capital inflows. These are likely to discourage investors only if they are so severe as to choke off portfolio investment flows completely. Otherwise, investors will seek to get exposure to the target economy in whatever way they can, driving up values in such restricted assets even further.

Investors may thus feel caught between two stools. If they do not chase up assets in bubble categories, they risk slipping far behind their peers. If they do follow the herd, they contribute to a collective mispricing that will eventually trap them in an inevitable crash. The IMF's prescriptions, valuable though they may be for finance ministers and international institutions, do little to ease this dilemma.

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Spanish gold that ancient Romans missed

By Kenneth Gooding, Mining Correspondent

Gold is being produced in Spain again for the first time in nearly 2,000 years. The El Valle mine in the north-western region of Asturias, whose mines provided the Roman Empire with much of its wealth, has started up and should produce 100,000 troy ounces of gold a year.

Although this is modest by the standards of some North American and South African mines, it will be western Europe's biggest gold producer and plans are already in place to take annual output up to 150,000 ounces.

The mine is situated in the valley of the River Narcea at Carles, near the town of Salas. The historian Pliny recorded that at one time 60,000 slaves were employed in the Spanish goldmines. Evidence of their labours still exists: traces remain near El Valle of the Roman reservoirs and sluices used to direct water at the topsoil to expose the gold.

The ore at El Valle is relatively high-grade, containing more than five grams of gold a tonne, but the Romans missed it because it is disseminated in very fine grains through the rock and is invisible to the naked eye.

Gold production comes only nine months after construction started, 15 months after the production go-ahead was given and three-and-a-half years since the owner, Rio Narcea Gold Mines, listed on the Toronto stock exchange.

Chris von Christierson, its South African chairman, says El Valle is producing gold at an average cash cost of $186 (£110) an ounce so that even with the price at a lowly $300, "we are in the money".

The company has spent about $70m so far on the venture, including $45m to develop three open pits and to build a processing plant at El Valle.

The Spanish government is covering about one third of the costs through non-reimbursable grants towards capital expenditure, as part of a programme to re-industrialise areas affected by coalmine closures. The mine is providing 260 direct and about 700 indirect jobs in an area where the unemployment rate is above 20 per cent.

Standard Chartered Bank has provided $21.7m of long-term debt and a group of four Spanish banks led by Caja de Asturias and Caixa Galicia have provided a further $6.7m for six years. Rio Narcea is paying average interest of only 5½ per cent because the Asturian government is providing interest rate subsidies.

One of Rio Narcea's big shareholders is Hulles del Coto Cortes, the Asturian coal producer, with 20 per cent.

Telewest close to Gen Cable deal

By Jonathan Ford

Telewest Communications, the UK's second biggest cable operator, said yesterday it is in advanced talks to buy General Cable, the fifth biggest operator, for £666m.

The proposed offer, which has been backed by General Cable's largest shareholder, Générale des Eaux, tops a rival bid of around £550m made earlier this month by NTL, the third biggest operator.

The move comes as a blow to NTL, which has been vying fiercely with Telewest for the upper hand in the latest round of industry consolidation.

Under the proposed deal, Telewest would offer 1.243 shares and 65p in cash for each General Cable share. Based on Friday's closing price of 94½p for Telewest shares, this would value each General Cable share at 182½p.

In return, Générale des Eaux has agreed to sell its 40 per cent holding, with the proviso that Telewest must make its offer at the agreed price prior to April 15.

The deal is also conditional on Telewest implementing an agreed board structure for the merged group.

Telewest would finance the cash component of the offer by means of a share issue underwritten by its major shareholders at 92½p a share.

Telewest's apparent success in outflanking NTL over General Cable comes as it seeks to exercise pre-emptive rights over two cable franchises controlled by Comcast, the fourth biggest operator, which recently received a £360m bid from NTL. Telewest is planning to pay around £200m for the franchises. Should it successfully acquire the two Comcast businesses and General Cable, Telewest would have more than 6m homes under franchise and would overtake Cable & Wireless Communications as the largest UK operator.

The proposed deal is the latest move in the increasingly competitive restructuring of the UK cable industry. Consolidation has been prompted by the desire of the large shareholders in the UK groups – many of them North American media and telecoms groups – to turn round the lossmaking companies. The UK cable industry has had more than £7bn invested in it over the last 10 years. The number of companies has fallen from 24 five years ago to just seven – assuming the Telewest/General Cable deal goes ahead.

The proposed acquisition of General Cable comes as US West, the media group and one of Telewest's controlling investors, seeks to raise its stake in the group.

US West is understood to be close to a deal where it would buy SBC's 10 per cent stake in Telewest.

See Lex

LVMH duty-free chain freezes payments

By David Owen in Paris and Alice Rawsthorn and John Willman in London

DFS, the duty-free shopping chain controlled by LVMH, has imposed a two-month freeze on payments to more than 40 suppliers – including many of the world's largest drinks, tobacco and luxury goods groups.

The chain wrote to its suppliers two weeks ago asking them to accept a 90-day payment period instead of the existing 30 days. Despite protests from many larger producers, it is determined to impose the new terms.

DFS has fallen victim of the financial turmoil in the Asia-Pacific region where is does most of its business. The decline in the number of tourists has reduced operating profit from FFr1.73bn (£170m) on sales of FFr14.01bn in 1996, to FFr578m on sales of FFr13.42bn in 1997.

Myron Ullman, chairman and chief executive, said the extension was a temporary measure for 1998 and followed a similar step after the Gulf war. "We got co-operation from vendors in 1991 and we are pleased we are getting their overwhelming support again this time," he said. With normal payment terms of 30 days, DFS was "probably the fastest payer in the industry".

An executive at one supplier said the industry was considering action to enforce the 30-day payment period specified in contracts with DFS. But another said DFS had "sufficient muscle" to force through the extension.

One perfume manufacturer described DFS as "notorious" for demanding credit extensions from suppliers long before the LVMH acquisition. "We've had a series of run-ins with them about this over the years."

LVMH took control of DFS in late 1996, when it acquired 61.25 per cent of the chain for FFr13bn. Suppliers warned then it would use its influence to the benefit of its own brands and the detriment of their own.

The French group is the world's largest producer of brandy and champagne and has a range of luxury goods including Louis Vuitton luggage, Christian Dior perfumes and the Givenchy fashion house.

The purchase increased LVMH's exposure to the Asia-Pacific which accounts for about 40 per cent of its FFr48bn in annual sales. Bernard Arnault, LVMH chairman, said recently that if the situation in Asia remained as it was this month, "DFS should make a profit in the first half of 1998 – a weak profit, but a profit nonetheless".

He listed four ways in which overheads were being cut – renegotiating rents, cutting head-office staff, adjusting sales forces and reducing stocks.

Taste for market: City Gourmets' chief executive Gareth Lloyd Jones (left) with Simon Broackes — Tony Andrews

Grounds for optimism

By David Blackwell

City Gourmets, which runs seven coffee bars under the Madisons brand, is planning to seek a listing on the Alternative Investment Market (Aim) in London this summer.

The group, which is hoping for a market value of between £15m and £20m, is aiming to raise capital to increase its rate of expansion to two coffee bars a month.

Simon Broackes – property director, major shareholder, and son of Trafalgar House maestro Sir Nigel Broackes – said the brand was based on coffee bars in both Canada and the US. "It is not just coffee. We sell a lot of tea and speciality cold drinks. We also have a broad food offer, with sandwiches, pastries, muffins and brownies made in-house."

The group, which expects to open 12 outlets this year, was founded in 1995 with bars in Fleet Street and Putney High Street in London. Advisers to the proposed flotation are Wise Speke.

Investor calls for shake-up at Pentex

By Jonathan Ford

A disaffected US investor in Pentex, the oil exploration group which last month recommended a takeover bid from Aim-listed Sibir Energy, today called on shareholders to reject the bid and for the management team to be replaced.

In an open letter, Allan Mims said the offer significantly undervalues Pentex and called for an extraordinary general meeting to "replace existing management with competent and seasoned international oil and gas professionals".

Sibir, which has oil interests in Siberia, launched its all share bid for Pentex last month, offering 67 of its shares for every 100 in Pentex.

The two companies have close links, including a shared chief executive, Henry Cameron. Sibir was a subsidiary of Pentex until it was floated on Aim last year and Pentex continues to hold a 40 per cent stake in Sibir.

Since the bid was launched, Sibir's shares have fallen by nearly 40 per cent in response to news of undisclosed liabilities at Evikhon, a Russian company in which it holds a 20 per cent stake.

At the current price of 21p per Sibir share, the bid values each Pentex share at just 14p.

Analysts have called for the bid to be renegotiated or abandoned.

Management buy-outs reach record level

By James Mackintosh

Management buy-outs hit a record £5.25bn in the first quarter while fewer companies floated on the London Stock Exchange than at any time in the past nine years, said two surveys out today.

The figures reflect the relatively low cost of borrowing, according to Chris Ward, head of private equity at Deloitte & Touche Corporate Finance, which sponsored the buy-out report. "Venture capitalists have lower cost of capital because they can gear up [borrow] more than public companies," he said. "Shareholders are nervous about highly geared public companies."

Just 11 companies floated on the official list of the stock exchange this year, raising £210m, against the £402m raised by 26 companies in the first three months of last year, a KPMG study found. Neil Austin, head of new issues at KPMG Corporate Finance, said smaller companies were coming back into fashion. He said: "The climate for smaller stocks has improved significantly. It will take a few months for this to feed through into new issues, but we expect a marked increase in the flow of companies coming to the market later in the year."

If market sentiment moves back towards smaller companies, it could cut the number of MBOs, Mr Ward said. The MBO study, carried out by the Centre for Management Buy-Out Research (CMBOR), found that six of the biggest deals, including the £127m Betterware buy-out, were public companies going private. "These are solely related to the market being perceived as having undervalued the business," Mr Ward said.

Many of the 160 deals this year have been management buy-ins, or institutional buy-ins, where venture capitalists take over a business and impose new management.

The deals averaged £32.8m, more than double last year's figure. But Barclays Private Equity, co-sponsors of the report warned that buyers are paying too much. The number and size of deals was reminiscent of the boom market in buy-outs leading up to the slump of 1989, both Barclays and Deloitte & Touche said.

A separate survey from Dun & Bradstreet, the credit checking agency, found small business failures fell by a fifth in the first quarter. Larger companies did not fare so well, with 4,515 bankruptcies – almost the same as last year. Overall the failure rate fell by 11 per cent against the first three months of last year.

COMMENT

SmithKline Beecham

What are SmithKline Beecham investors to make of the news that Jan Leschly is sitting on stock options which would be worth £86m if their chief executive could exercise them now? First, they should realise that he cannot. Even the basic share options only vest if SmithKline delivers a bigger total return than the average top UK or US company. That is not a terribly high hurdle to jump, but it is better than none. Moreover, Mr Leschly has to jump an even higher hurdle – delivering performance in the top 20 per cent of FTSE 100 companies – to receive the free shares from the company's mid-term incentive plan. Second, investors should appreciate that the options accumulated over several years; only a fraction was awarded last year. That said, the sums are eye-popping. Mr Leschly certainly ought to be fully incentivised to deliver shareholder value – making it all the more puzzling why the value-enchancing merger with Glaxo Wellcome cannot be resuscitated.

UK cable

Is there light at the end of the cable duct? The industry's long-awaited consolidation is finally on the cards, with Telewest Communications seemingly on the point of beating NTL in the battle to buy General Cable. NTL is also buying Comcast. But will mergers improve the industry's battered image with investors? Since Cable and Wireless Communications was assembled via the sector's largest merger last April, it has outperformed the market by a modest 4 per cent. Telewest and General Cable have continued to underperform – by 20 per cent and 31 per cent respectively.

Through merging, CWC has cut overheads and its financing costs – benefits which should also apply to any combination of the remaining cable companies. Furthermore, CWC has shown that in cable, size matters. It is now big and confident enough to cut its own deal with the industry's *bête noire*, British Sky Broadcasting. But it would be wrong to view consolidation as a panacea. Lowering costs by centralising marketing and customer service operations is only valuable if the marketing strategy is right. Telewest is only now experimenting with smaller cable packages – discovering, belatedly, that customers are happier paying for channels they know they want to watch.

NEWS DIGEST

VENTURE CAPITAL

NWEP in Italian and Finnish deals

NatWest Equity Partners, the European venture capital business, has completed two substantial deals in Italy and Finland.

NWEP has sold Zincocelere, a manufacturer of medium-to high-complexity printed circuit boards, to Viasystems Group, another Italian company, for more than $100m (£60m). The deal, one of the largest venture capital exits in Italy's private equity market this year, gave NWEP a return of twice its original investment. It acquired the business from Olivetti, the Italian electronics group which was seeking to divest its non-core businesses, early in 1996.

NWEP also announced its first deal in Finland, buying out the Huurre Group OY in a joint venture with Tapiola, the Finnish insurance group, and Huurre's management. NWEP has invested FM88m (£9.5m) for a majority stake in a transaction totalling Markka 220m.

Huurre is an international provider of commercial refrigeration, ranging from specialist cabinets and walk-in rooms, to large cold-store structures. It has manufacturing operations in Finland and Sweden, where it is market leader, and in Indonesia and also has subsidiaries in the UK, Germany, Norway, Hungary and Russia.

It made operating profits of FM28m in 1997 from sales of FM390m. **Steve Thompson**

PHARMACEUTICALS

SB chief's share options

Jan Leschly, chief executive of SmithKline Beecham, holds options over SB shares worth £86.4m if they were exercised now. The details of his remuneration package were revealed in the company's annual report last week.

The total is made up of options on shares and American Depository Receipts held in three different incentive plans.

At end-December 1997, Mr Leschly held options over 4.92m ordinary shares, granted at an average price of 258p, which, if exercised at last Friday's market prices, would be worth £36.8m, giving a theoretical profit of £24.1m. He also held options over 1.2m ADRs, granted at an average price of $26.09, which if exercised would be worth £44.83m, giving a theoretical profit of £26m.

Under the company's mid-term incentive plan, which depends on its relative performance, Mr Leschly could be awarded a maximum of 166,000 ordinary shares and 134,400 ADRs over three years. Valued at Friday's prices, these would be worth £6.3m.

The annual report reveals that under the long-term incentives Mr Leschly has options over 929,168 shares, at an average grant price of 145p, and over 150,008 ADRs at an average of $13.85. Valued again at Friday's prices, these would be worth a further £10m. It also shows Mr Leschly was paid a salary and bonus of £2.41m, up from the previous year's £2.1m. Pension contributions paid by SB amounted to £428,000.

SB shares have risen strongly this year, fuelled by proposed mergers with American Home Products and Glaxo Wellcome which later fell through. **Steve Thompson**

MUSIC

EMI in £44m Priority deal

EMI, the music group, has agreed terms to take full control of Priority Records, the Los Angeles-based rap label in which it already held a 50 per cent stake. Under the terms of the deal, mooted for several months in the US, EMI will make an immediate cash payment of $73m (£43.7m), of which $10m is an advance against performance-related payments expected to total an additional $70m over five years.

The Priority acquisition follows stringent cost-cutting at EMI's US operations, which led to roughly 200 job losses. EMI, long dogged by bid rumours, recently issued a profits warning. It is struggling to resolve a senior management crisis by striking a deal for Jim Fifield, the £7m-a year head of its music interests, to leave the group. Ken Berry and Martin Bandier, heads of its recording and music publishing interests, are then expected to join the main board. **Alice Rawsthorn**

INFORMATION TECHNOLOGY

Computacenter plans float

Computacenter, the UK's largest private IT group, has appointed Goldman Sachs to advise it on a public listing in a move likely to value the company at about £900m. The group, which supplies personal computers and systems integration services to business and government, is likely to seek a listing within the next few months.

The company's existing investors include some 800 of the group's 3,300 employees, who own about 16 per cent. The move would allow Computacenter to use shares and options as incentives to new recruits – an increasingly important tool in the battle to attract skilled workers.

Institutional investors including Apax and Foreign & Colonial have a 29 per cent holding. The balance is held by Philip Hulme, chairman, and Peter Ogden, a non-executive director, who together founded the company in 1981. Both are likely to retain a substantial interest in the company when it comes to market.

Computacenter sales are expected to exceed £1bn in 1997, up from £840m. Analysts are forecasting pre-tax profits of £47m (£34m) for 1997. **Christopher Price**

MANUFACTURING

ABI goes into receivership

ABI Leisure Group, the caravan manufacturer, has been put into the hands of the receivers after failing to resolve its financial problems. The group, which is capitalised at £4.6m and employs 700 people, said it had fallen victim to its largest French distributor, which failed to pay its debts. It also blamed the strength of sterling. Last August ABI announced an investigation into mismanagement of currency hedging that forced it into the red.

The appointed receivers are chartered accountants Nick Dargan and Angus Martin of Deloitte and Touche. **Arkady Ostrovsky**

TEXTILES

Dewhirst closes Yorkshire factory

Dewhirst, the textiles group which supplies garments for Marks and Spencer, closed its Malton factory in North Yorkshire as part of its restructuring programme, making 160 staff redundant. The company said the plant was not cost effective and the work would be shifted to Morocco and other UK plants. Dewhirst said it was in talks with the GMB union about pay-off conditions. The company is expected to make profit of about £31m this year against £28.4m last time.

IN BRIEF

UNILEVER, the Anglo-Dutch consumer products group, has acquired a controlling interest in a Moscow margarine, cooking fats and mayonnaise producer, Moskovsky Margarinovy Zavod, for an undisclosed sum. The group has said it will invest $20m (£12m) in the business over the next few months.

BIRCHIN INTERNATIONAL has refocused its business from book publishing to residential training. To this end it has proposed a 2-for-5 open offer to raise £1.4m to fund the acquisition of Swinton Castle.

PHOTO-ME has agreed to buy Fotosoft, a combination of two companies that sell and operate photobooths, from Fotolabo for SFr2m (£800,000).

Arbed back in the black

By Neil Buckley in Brussels

Arbed, the Luxembourg-based steel group that is Europe's biggest in terms of output, returned to profits of LFr5.1bn ($135m) in 1997, after a LFr1.2bn loss in 1996, but said it had not made a decision on whether to restart dividend payments.

Meanwhile, an extraordinary shareholders' meeting on Friday agreed to convert 878,277 non-voting preference shares in Arbed held by the Luxembourg state into ordinary shares, increasing the state's voting share from 22 to just over 30 per cent, and lifting the total voting stake of large shareholders – which also include Belgian holding company Société Générale de Belgique with just over 9 per cent – from 47 to 52 per cent.

However, the group firmly denied reports in the Spanish press that the move indicated that the Luxembourg government was preparing to sell its 30 per cent stake. It said it had planned for some time to simplify its shareholder structure by removing non-voting preference shares.

Last year Arbed achieved a new dimension as a steel maker by taking a 35 per cent stake in Spain's Corporacion Siderurgica Integral, now renamed Aceralia. The acquisition took the group ahead of France's Usinor and Germany's Thyssen/Krupp to become Europe's biggest raw steel maker, and the world's third largest.

The group said that, if Aceralia had been consolidated into its results, profits would have reached LFr6.6bn, and total sales LFr364.3bn. Preliminary unaudited results released on Friday showed sales without Aceralia jumped from LFr232.2bn to LFr268.6bn. Aceralia's results will be fully consolidated from this year.

Arbed said the acquisition marked a "qualitative step forward in the expansion, modernisation and global strategy" of the group.

Total raw steel production increased 6.1 per cent to 12.5m tonnes last year – including Aceralia, the total would have been 18.8 tonnes. Rolled steel products increased 9.5 per cent to 11m tonnes.

Call for more French disclosure

By Andrew Jack in Paris

French investors want company directors to provide far greater information on remuneration and other aspects of corporate governance in their annual reports, according to a new survey of shareholders and executives.

Out of more than 500 investors questioned, 82 per cent wanted directors to disclose the boards on which they sit, 80 per cent wanted disclose on the number of shares they hold and 73 per cent wanted details of directors' pay, according to the analysis carried out by Ecocom, a communications consultancy, in conjunction with the accountants Deloitte Touche Tohmatsu.

The findings directly challenged the traditional reluctance of French companies to disclose information on top executive remuneration. They showed 43 per cent of companies had ruled out providing more information on remuneration.

Under French regulations, companies have only very limited obligations to disclose the aggregate pay of the highest paid executives as a single figure, although there have been a number of calls for additional voluntary disclosure. A few companies – such as Suez-Lyonnaise des Eaux, the utilities group – have gone further, but most provide the strict legal minimum in their annual reports.

Speaking at the launch of the report, Stephen Davis, head of Global Advisers, a consultancy for pension funds, said: "US investors do not necessarily want detailed information on how much each director earns. They want reassurance that executive remuneration is linked to performance."

Serge Weinberg, chief executive of Pinault Printemps Redoute, the French retail group, said: "In France we are still at the level of the letter rather than the spirit of democracy [concerning corporate governance]."

Europe catches on to convertibles

Macroeconomic factors could hardly be more favourable, writes **Vincent Boland**

Market movers

A rush of convertible bond issues this year has shone a light on an often obscure and under-researched sector. The $1bn issue from Singapore last week was only the latest – and not even the biggest – to tempt investors, and bankers predict that there is a lot more to come.

In the past two weeks, convertible issuance has reached nearly $6.8bn, and 1998 is heading for a record, easily topping the $62bn issued last year, according to the latest figures.

In a recent study of the sector, Deutsche Morgan Grenfell estimated that the convertibles market was worth $315bn, of which well over $100bn was in the US, which "continues to be the world's most efficient convertible market by some distance, trading very close to fair value most of the time".

Across the developed markets, the macroeconomic factors that now prevail could hardly be more favourable for the convertible bond sector. Simply put, there is a rare combination of low interest rates, high equity prices, the emergence of dedicated buyers of the sector to complement the US investor pool, and a general lack of paper in which to invest.

John Hyman, executive director at Morgan Stanley Dean Witter, which has brought several big convertible issues to the market this year, says the growing interest in convertible bonds in Europe – from issuers and investors – is a secular trend, the result of several favourable factors combining to highlight the attractions of the sector.

"Convertibles have long been an asset class in the US with a dedicated pool of money and investors. We are just at the beginning of that development in Europe," Mr Hyman says.

Apart from the favourable issuing background, convertibles have built-in attractions for issuers. In the case of Singapore's bond, which is convertible into shares of Singapore Telecom, the government received $1bn upfront from investors but will not have to begin offloading the shares until convertibility becomes attractive for holders of the bond.

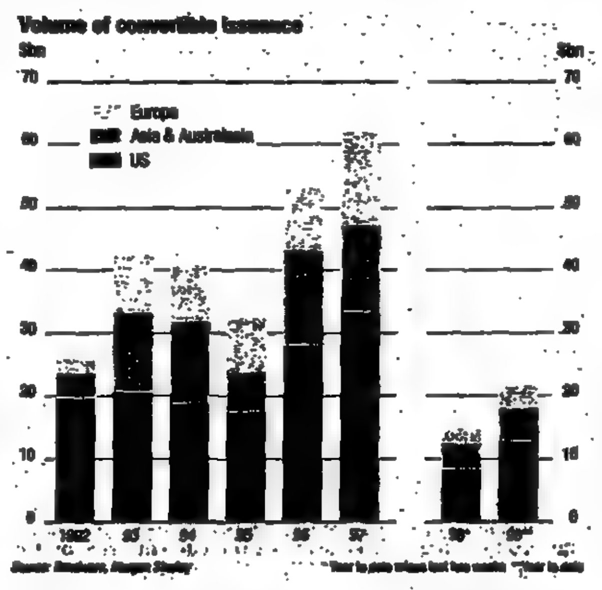
The convertible route is widely regarded as a good and tax-efficient way of offloading cross-shareholdings. In January, Allianz launched a DM2bn bond convertible into part of the German insurer's stake in Deutsche Bank. Two weeks ago another German insurance company, Württembergische Versicherungs, sold an unwanted stake in Swiss Re via a DM550m convertible.

Last month, meanwhile, Bell Atlantic issued the biggest bond for many years – a $2.4bn issue exchangeable into its stake in Telecom Corporation of New Zealand, which the US company is selling in order to concentrate on expansion in Europe.

One factor common to these issues is that, unlike straight equity issues, they do not require expensive roadshows to woo investors. Generally, buyers do not require detailed meetings with company managements. A convertible is often sold within 24 hours; an equivalent straight equity issue often takes weeks to complete.

Among the biggest buyers of convertible bonds are clients of Swiss and German private banks, who are nothing if not risk-averse. Buying a convertible bond limits an investor's downside risk –

Volume of convertible issuance



the investor earns interest on the bond and can always get its money back. At the same time the bond offers exposure to potential share price appreciation and the option to buy at a later date at a discount.

Bankers say the growth of European issuance is leading to consideration of convertibles as a separate asset class. This is attracting more investors from London, where the greatest pool of money is available. With yields on all types of fixed-income instruments falling, investors are looking increasingly to convertibles in their search for both yield and value.

Are they getting it? That is a difficult issue, given the complexity of pricing convertible bonds that have interest rate, equity and conversion elements. The success of recent issues is not necessarily attributable to the fact that they offered exceptional value, bankers say.

"Because stock markets are so strong, convertible transactions are going well even if they are not very cheap. There is an imbalance between supply and demand," says Andrew Moffat, director of equity syndicate at Lehman Brothers.

How long the favourable context for convertibles lasts is anyone's guess, and both issuers and investors are loath to make predictions. With pressure to offload cross-shareholdings now a corporate reality, supply is not likely to diminish.

Many potential issuers, therefore, are leading European companies, and from next year their bonds will have the added attraction of being denominated in euros. That should attract more US buyers, analysts say.

"US clients who were unwilling to consider convertibles denominated in French francs, Italian lire or even German marks may be more inclined to consider investments in the euro, for which even the most provincial US investment house is likely to have a currency view," Deutsche Morgan Grenfell observed in its convertibles report.

Morgan assets arm at crossroads

Despite the doubters, Ramon de Oliveira's priorities are clear, writes **Jane Martinson**

Ramon de Oliveira has a disconcerting habit of answering questions with one of his own. "You ask about large acquisitions," says the head of J.P. Morgan's asset management arm. "What companies are there to buy?"

A combative approach may be natural for a man who has had to answer several questions since his appointment last May. Most of these have focused on how the division, which had $278bn of assets under management at the end of last month, can compete and expand in a rapidly consolidating market.

Should it make an acquisition in order to fight ever larger competitors? And how will it move into the retail market without alienating the bedrock of its success – blue-chip US pension funds? In recent weeks Mr de Oliveira has also faced questions on how the company is coping with a 5 per cent staff reduction decreed by its US banking parent.

One pension fund consultant expressed a common fear. "It isn't part of the asset management culture to knock 5 per cent off the workforce just to get costs down," he said. "It's the sort of thing bankers do, and you have to wonder if it means that the bankers are taking control." These fears, added to persistent takeover rumours about J.P. Morgan itself, have contributed to a sense of uncertainty among asset management clients and consultants.

Mr de Oliveira is impatient with the suggestion that closer links with the bank are necessarily a bad thing.

Ramon de Oliveira: 'We're not looking to trim the business'

One of his aims is to further leverage the enviable relationship Morgan has with a raft of blue-chip clients across its businesses.

He also dismissed the idea that job cuts could hurt the business. "Our future profitability is important to clients," he says, before adding that investment levels will be maintained.

"We are not looking to trim the business. But if you are asking whether we are looking at ways to do things better at lower cost then the answer is yes." In doing so the division aims to boost a financial performance which lags behind that of its peers. Morgan executives have suggested that its rapid growth in the past three years has made some reorganisation inevitable. Staff numbers increased 42 per cent to more than 3,000 in three years to the end of 1997 as the business expanded to become the 10th largest money manager in the US.

Hendrik van Riel, head of the company's European operations, said: "You do have some fat when you grow that fast. As good as you are, the ability to grow 50 per cent and be sure that there is no wastage is difficult."

In spite of recent events Mr de Oliveira puts increased profitability third on his list of priorities.

The first is to maintain the company's leading position in providing defined-benefit pension plans. This has not stopped the division from taking robust decisions to achieve priority number two: expansion into the faster-growing market of defined-contribution pensions.

Last year J.P. Morgan made its largest investment in almost 40 years when it bought a 45 per cent stake in American Century, a Kansas City-based asset management company, for $900m.

AC is a mutual fund group which has built its business on the back of the sharp rise in defined-contribution pension schemes.

The deal, which gives Morgan first right of refusal in a takeover, won a mixed reaction among financial services analysts. While some questioned the spending of almost $1bn without gaining control, others saw it as a shrewd strategic move.

The business has also expanded into the fledgling mutual fund business across the Atlantic, with two deals in Germany and France in the past year.

Mr de Oliveira, born in Argentina and raised in France, is keen to agree further joint ventures in Europe in coming months, and the launch of more mutual fund products. If he pulls off the difficult task of achieving his three priorities, many observers believe he stands a fair chance of moving on to greater things at Morgan. "De Oliveira wants to lead that organisation and he's not going to let a few asset management guys stand in the way," said one US banker.

Mr de Oliveira, a mixture of hauteur and charm, is dismissive. "My ambitions are irrelevant to this business. You are comparing a midget to a giant."

ITALIAN BANKING PROSPECT OF EMU FORCES REVOLUTIONARY CHANGES

Three-year plan at Mediobanca

By Paul Betts in Milan

European Monetary Union and the competitive challenges facing the banking industry have prompted Mediobanca and Monte dei Paschi di Siena to adopt changes that are little short of revolutionary for these two significant but peculiarly Italian banking institutions.

Mediobanca, the Milan banking group at the centre of a convoluted network of big business alliances in Italy, outlined on Saturday at an extraordinary meeting a three-year strategy to turn it into a more accessible investment bank serving not only an elite group of large Italian companies but also smaller medium-sized enterprises.

As a first step, it has reached an agreement with Cazenove, the UK stockbroker, to strengthen its equity research and analysis operations and provide Mediobanca customers with access to Cazenove's extensive European equity research activities.

Vincenzo Maranghi, Mediobanca chief executive, said the bank intended to remain focused on the Italian market but planned to boost its investment banking and asset management operations as well as strengthening its corporate and equity-linked businesses.

To support its new strategic plan as well as finance its share of the recent cash call by Assicurazioni Generali, Italy's largest insurer, in which Mediobanca owns direct and indirect stakes totalling nearly 12 per cent, Mediobanca is launching next month a L2,100bn ($1.16bn) capital increase through a rights issue of new shares and warrants.

Mediobanca, whose operating income rose 14.7 per cent to L343bn in the first eight months of its current financial year, also indicated it no longer considered its traditional stakes in a large number of heavyweight companies as sacrosanct, with the exception of Assicurazioni Generali.

The bank, shaken in the past 12 months by internal management upheaval and controversy over its apparent failure to adapt to the new competitive environment in the industry, also disclosed it had now disposed of its entire 2.1 per cent stake in Olivetti, the telecommunications and information technology group.

If the changes at Mediobanca are described in Italy as revolutionary, the decision by Monte dei Paschi to launch a competition to select an investment banking adviser in view of the possible flotation of a 20-30 per cent stake in the Siena-based bank is seen as nothing less than historic.

The 500-year old bank, one of the oldest in the world, is currently owned by a charitable foundation linked and controlled by the city of Siena in Tuscany's traditional left-wing "red belt".

Although one of the country's largest commercial banks, the local Siena political establishment has jealously guarded its ownership of the bank.

However, the profitable bank, which has just reported a 68 per cent rise in 1997 net profits to L354bn, has increasingly felt in danger of being isolated at a time of rapid consolidation in the Italian banking system. The decision to appoint an adviser to prepare for a stock market listing is thus seen as a first step to adapt the bank to the broad changes in the industry.

Schroders recently valued the bank at L10,500bn-L12,000bn. But the timing of the flotation and the possible involvement of Monte dei Paschi in the current Italian bank merger wave are shrouded in doubt.

Departure of David Kyte signals shake-up at Liffe

The high-flier's resignation could spark an extensive reshuffle at Europe's biggest derivatives market, writes **Samer Iskandar**

The resignation last week of David Kyte from the board of the London International Financial Futures and Options Exchange is the latest in a series of shocks that have recently rocked Europe's largest derivatives market.

The controversial decision could spell the beginning of an extensive reshuffle among Liffe's executives, in the run-up to a crucial vote in May on Liffe's strategic orientations and its ownership structure.

Mr Kyte is one of Liffe's most prominent members. A self-made millionaire who now runs a small trading empire, he epitomises the rags-to-riches dream of locals – red-jacketed speculators who can make almost limitless profits by working hard and taking risks.

He accuses the exchange's managers of failing to adapt swiftly enough to a changing environment. "I have no confidence in the chairman [Jack Wigglesworth] and chief executive [Daniel Hodson] to do what is best for the exchange," Mr Kyte said last week, after resigning.

With Mr Wigglesworth expected to step down as chairman after his term ends in June, the criticism is aimed directly at Mr Hodson.

The outburst has not won him any friends on the board. "The problem with Kyte is that he has become so powerful," says one of his detractors, "he practically owns the bund" – the futures contract on German government bonds and one of Liffe's most actively traded products.

However, with the experience of a successful trader, Mr Kyte's gamble was calculated, and his risks were largely hedged. His firm, Kyte Futures, is equipping half its 100 traders with computers linked to Frankfurt's electronic Deutsche Terminbörse, which has recently stolen the leadership in trading German bond futures from Liffe. While Kyte's floor presence in London is expected to remain significant, the bund accounts for most of the firm's revenues.

It will take Liffe 18 months to develop an electronic trading system capable of listing its main products, at a cost of £20m-£25m, in addition to £10m already spent.

Mr Kyte and others believe this time span is too long and point to existing alternatives. Liffe's existing electronic system, which is used only after the market closes, would make a satisfactory 24-hour trading facility and could be introduced immediately. Although the system – APT – is in need of an upgrade, users say it is efficient enough.

"You do not need a car that can do 200mph to go on the motorway," Mr Kyte says, explaining that Liffe's plans are over-ambitious. "If you already have a car that can do 70mph, you can start driving. Maybe one day when the roads will be bigger everybody will want to drive at 200mph, but we are not there yet."

Mr Kyte's frustration with what he describes as "Liffe's apathy" was only one of the factors behind his departure. His resignation was also motivated by a disagreement with colleagues on the board over the fees that Liffe charges on every trade and which are the exchange's main source of revenues.

Liffe insiders say the board had to choose between two fee structures: a flat fee of 25p per contract for every participant; and a two-tier structure (advocated by Mr Kyte) where most participants would pay 27p per contract, while locals who own seats – or trading permits – would be charged only 17p.

Mr Kyte defends the two-tier structure, pointing out that it is applied at the Chicago Board of Trade, the largest derivatives exchange. Other board members, however, describe this arrangement as unfair. Most locals "rent" the ability to trade from owners of seats. Only larger locals, such as Mr Kyte, own seats.

Analysts say lower fees for locals in Chicago are justified by the so-called "single capacity" constraint: locals can only trade for themselves, while at Liffe they can trade for their own account as well as execute orders for clients.


Liffe style: Local traders can make almost limitless profits

"Mr Kyte cannot have the best of both worlds," says one Liffe director.

While Mr Kyte seems isolated in his stance on fees, Liffe insiders believe his views on Liffe's management are widely shared.

"David [Kyte] expresses a frustration that a lot of people feel concerning the lack of decision-making at Liffe," says one board member. "The board's organisation is inefficient and the management issue is a serious one: Daniel [Hodson] has driven a huge wedge between the board and the membership, between the managers and the traders."

Mr Kyte says Liffe needs executives who produce results. "Most companies work on a results basis," he says. "We have to make Liffe's executives responsible for its profitability." Liffe is currently a non-profit organisation, which is owned by its members.

In coming weeks, members will be asked to approve Liffe's computerisation plans, as well as changes to the ownership structure, bringing it closer to that of listed companies.

"I would be surprised if Hodson stays on after the vote – surely he can read the writing on the wall," says a colleague.

"Getting the changes approved should offer him the opportunity of an honourable exit."

One thing is for sure, the pressure on Liffe's senior managers is sure to grow.

Mia goes to market with 35% of equity

By Tom Burns in Madrid

The subscription period opens today for Meliá Inversiones Americanas (Mia), the Latin American subsidiary of Spain's Sol Meliá hotel group, which will place up to 35 per cent of its equity on the market in an initial public offering worth some Pta30bn ($193m) that will be completed early next week.

The transaction includes a rights issue and will provide capital for Mia's growth in Latin America, where it aims to become the leading hotel group. Latin America, which is attracting considerable Spanish investment, represents just 5.5 per cent of global hotel accommodation and Sol Meliá has identified a growing demand for high-quality hotels there.

The listing of Mia will also release funds to expand the group's business in Europe, where it is considering properties in Paris, Milan, Rome, Budapest and Prague.

Controlled by the Majorca-based Escarrer family, Sol Meliá operates 227 hotels worldwide. In June 1996, after separating its business into hotel management and hotel ownership, the group raised $275m in an IPO that placed 40 per cent of its equity on the market.

Mia, which lifted its pre-tax profits by 54 per cent to Pta18.5bn last year, owns three resort hotels in Mexico and two in the Dominican Republic that are managed by Sol Meliá. With a $300m investment budget to incorporate as many as 10 more hotels by 2001, Mia will broaden its focus on resorts in the region to include city hotels in Buenos Aires, Santiago de Chile and Mexico City.

Some 35 per cent of the IPO, which is being co-ordinated by Salomon Smith Barney and BBV Interactivos, the securities arm of the domestic banking group, will be allocated to international institutions, while domestic institutions will be offered 15 per cent, and 50 per cent will be sold to domestic retail investors.

Mannesmann buys stake in Olivetti

By Graham Bowley in Frankfurt

Mannesmann, the German industrial concern, has bought a 2.34 per cent stake in Olivetti, making it one of the biggest single shareholders in the Italian technology group.

The move, which ends weeks of speculation, strengthens links between the two companies and has been seen as an attempt by Mannesmann to secure its position as Olivetti's chief strategic partner.

Mannesmann said the deal supported its involvement in the Italian telecommunications market, where it already has a joint venture, called OliMan, with Olivetti.

The new purchase, welcomed by Olivetti, will be a strong signal to ward off potential predators, which might have viewed the now restructured Olivetti as a takeover target.

Olivetti has been thought vulnerable because of withdrawal from the company of Carlo De Benedetti, the former chairman. Mr De Benedetti remains Olivetti's largest single shareholder, with a stake of 4.7 per cent.

Mannesmann, which is transforming itself from an industrial concern into a telecoms business focused on mobile phones and fixed-line networks across western Europe, said it had bought the stake on the open market.

At the current share price, the stake is worth about L160bn ($89m). Mannesmann did not say whether it wanted to buy more shares in Olivetti, with which it already has strong co-operation.

US issues hit new peak but margins slip

By Tracy Corrigan and William Lewis in New York

Record volume of new debt and equity issues in the US market in the first quarter of 1998 has failed to produce a corresponding leap in income, according to a leading US Wall Street consultancy.

In a report to be published this week, Securities Data, the leading provider of merger and financing information in the US, will cite the strength of bond business – less lucrative than equity – and pressure on margins as the reasons for income failing to keep pace with revenues.

According to preliminary figures, $461bn of equity and bond issues have been placed in the US market in the first three months of the year, exceeding the previous record of $372bn set in the third quarter of 1997.

Merrill Lynch, the US-based investment bank, has held on to the top slot with $76bn of US stock and bond deals to its credit, and a 17 per cent share of the domestic underwriting market, compared with $46bn and less than a 16 per cent share a year ago.

However, according to Securities Data, Merrill's disclosed fees fell from $355m a year ago to $341m in the first quarter of 1998.

The consultancy also says that two of the leading five firms are likely to experience a drop in disclosed fees compared with a year ago.

Margin pressure is "one of the best kept secrets of this bull market", according to Sallie Krawcheck, analyst at Sanford C Bernstein, the US brokerage.

"While the bull keeps running, it masks the fact that margins keep going down, down, down. The fundamentals of the [securities] business are deteriorating, and at an increasingly rapid pace," she added.

Analysts say the need to drive profits through higher volume is likely to increase pressure for consolidation in the securities industry.

For example, recently merged Salomon Smith Barney, the investment banking arm of Travelers Group, has taken the number two position, with $37.7bn in new issues in the first quarter, up more than 30 per cent, while Morgan Stanley Dean Witter and Goldman Sachs, two of the largest US investment banks, are fighting for third place.

Equity underwriting remains substantially more profitable than bond underwriting, with gross spreads in equity deals around 6 percentage points, compared with about 1 point for bond deals.

Although equity underwriting margins continue to hold up well, common stock issuance has fallen and IPO issuance is flat.

NEWS DIGEST

BELGIAN RETAILING

Delhaize lifts profits 13% despite US provisions

Delhaize, Belgium's biggest retailer and owner of the Food Lion supermarket chain in the US, announced a 13 per cent increase in 1997 net profits from BFr4.35bn to BFr4.9bn ($130m), in spite of a BFr2.28bn provision for the closure of 61 US food stores. Sales jumped from BFr412.3bn to BFr508.6bn, as the group opened 240 stores in the seven main countries in which it operates – a net increase of 116 after the closures in the US.

Delhaize said its market share grew from 13.2 to 13.4 per cent in Belgium, where it intends to open more neighbourhood stores to complement its out-of-town superstores. Food Lion plans to open another 75 stores this year. Total spending for the year is planned at BFr20bn, including expanding the group's projects in the Czech Republic, Thailand and Indonesia.

Earnings per share rose from BFr84.2 to BFr94.8 and an 11.1 per cent increase in the dividend is proposed to BFr30.
Neil Buckley, Brussels

FOREST PRODUCTS

Fletcher Challenge acquisition

Fletcher Challenge Canada, the forest products company, is responding to a prolonged strike at its three British Columbia mills by moving to acquire a controlling interest in the largest newsprint producer in the Philippines.

The company, majority owned by New Zealand's Fletcher Challenge, is in final negotiations to acquire some 51 per cent of Trust International Paper, known as Tipco, which produces 200,000 tonnes of newsprint. Fletcher Challenge Canada, which did not disclose the purchase price, said it could increase capacity at the Tipco plant to 350,000 tonnes. **Scott Morrison, Toronto**

GERMAN MEDIA

G&J expands in Austria

Gruner & Jahr, the German magazine and newspaper company, announced it had taken control of News Gruppe, an Austrian publishing business. G&J, a subsidiary of Bertelsmann, paid an undisclosed amount for a 25 per cent stake in News owned by the Axel Springer publishing group and a further block of shares held by the founders of the Austrian company.

The move gives G&J, which said it wanted to expand its business in Austria, an overall stake of 75 per cent in News Gruppe. The Austrian company publishes the country's leading current affairs magazine, News, as well as a television listings title.
Frederick Stüdemann, Berlin

GREEK TELECOMMUNICATIONS

OTE earnings up 15%

OTE, Greece's public telecoms operator, raised full-year net profits 15 per cent to Dr197.5bn ($622m). Operating revenues rose 19.3 per cent to Dr810.6bn. Analysts said revenue growth was weaker than forecast because of delays in installing higher-earning digital lines. Less than 50 per cent of Greece's fixed-line network has been digitalised, but the pace is expected to pick up this year. OTE recently signed contracts worth Dr381bn with two local suppliers, Siemens Hellas and Intracom, to install digital equipment. **Kerin Hope, Athens**

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Bertelsmann (Germany)	Random House (US)	Publishing	est $1.5bn	New force
Cendant (US)	NPC (UK)	Car parks	$1.32bn	Buyer on spree
Elf Aquitaine (France)	Yuksi (Russia)	Oil & gas	$528m	Strategic 5% stake
ING (Netherlands)	Direktbank (Germany)	Banking	$250m	Direct stake
Tomkins (UK)	Schrader-Bridgeport (US)	Engineering	$187m	Cash put to use
Gerber Scientific (US)	Spandex (UK)	Business srvcs	$180m	Sign of times
Aeroporti di Roma (Italy)	ACSA (SA)	Airport srvcs	$164.5m	Privatisation stake
Delta (UK)	Holec Holland (N'lands)	Engineering	$137m	Electrical move
CU (UK)	GEAS (Italy)	Insurance	$43m	General expansion
Volkswagen (Germany)	Rolls-Royce (UK)	Car manufacture	n/a	Battle begins

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 27, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Madrid aims to keep hold on Tabacalera

By Tom Burns in Madrid

The Spanish government will publish legislation this week to ensure its continued control over Tabacalera for an eight-year period after the sale of its 52.4 per cent stake in the tobacco producer and distributor next month in a disposal worth some Pta330bn ($2.1bn).

The sale, scheduled for completion on April 27, will further crowd a domestic capital markets calendar in April. Telefónica, the dominant operator that was fully privatised last year, announced a Pta600m rights issue last week and Banco Central Hispano is raising Pta163.8bn in new funds.

The sale of Tabacalera reflects the centre-right government's aggressive policy of selling off the public sector and spreading its ownership as widely as possible among domestic households.

It follows the Pta350bn disposal of Argentaria, the banking group, in February and will take place ahead of a further sale of state-owned equity in Endesa, the partially-privatised power group, that could raise more than Pta800bn.

Tabacalera will implement a 5-for-1 stock split this week to make the share price more accessible to small savers. The subscription period for the sale, co-ordinated by Merrill Lynch, the US bank, and domestic banks BCH, Banco Bilbao Vizcaya and Argentaria, will open on April 13 and retail investors will be allocated 80 per cent of the offer.

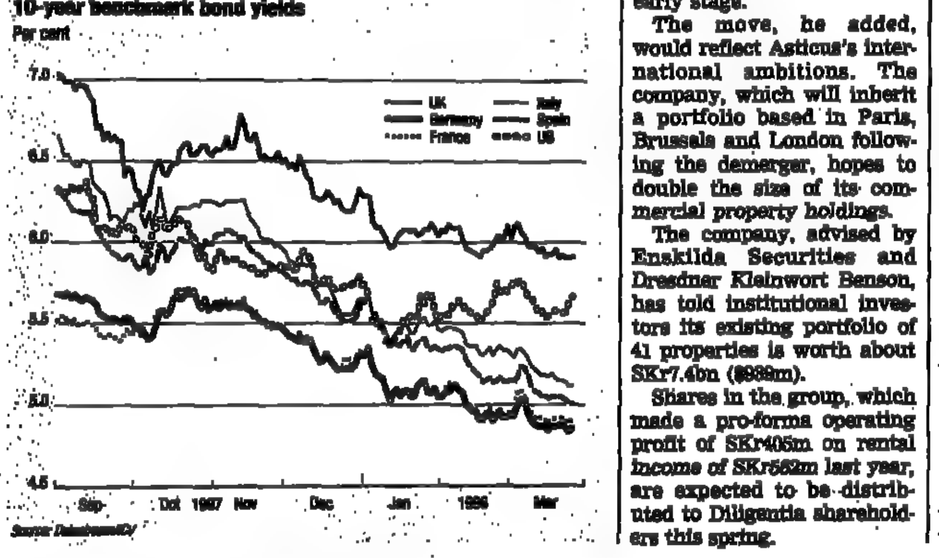
Tabacalera's share price, which closed at Pta17,380 on Friday, has risen 38 per cent since the beginning of the year. Individual investors will receive a 3 per cent discount to the issue price and a further 3 per cent loyalty bonus after a year as shareholders.

The government however is less anxious to wholly deregulate sectors it considers sensitive and remains protective towards companies that operate in them.

Details of the Tabacalera legislation have still to be announced but they are likely to involve a "golden share" proviso that will prevent rival tobacco groups taking a significant stake in the company.

Officials said veto power over Tabacalera's shareholder structure would be in force for eight years.

10-year benchmark bond yields



Source: Datastream/ICV

Asticus could be Sweden's euro first

By Tim Burt in Stockholm

Asticus, the international property group which is coming to the market in Stockholm, is considering becoming the first Swedish company to switch its accounting and stock exchange listing to the euro.

The new company – formed by the demerger of the international property arm of Diligentia, one of Sweden's largest property groups – said switching to the euro was a natural step, given that 80 per cent of its profits are generated in Paris and Brussels. "It is likely we will adopt the euro for accounting. And if we have to choose between it and the krona for listing, we will go for the euro," said Torbjörn Seifert, chief executive.

The Stockholm stock exchange is drawing up recommendations for Swedish companies on how to handle introduction of the single currency, even though the country has decided not to join European economic and monetary union in the first wave next year.

Although Mr Seifert said the euro question had not been put to the Asticus board, he predicted the company would minimise its exposure to currency translation and transaction costs by adopting the euro at an early stage.

The move, he added, would reflect Asticus's international ambitions. The company, which will inherit a portfolio based in Paris, Brussels and London following the demerger, hopes to double the size of its commercial property holdings.

The company, advised by Enskilda Securities and Dresdner Kleinwort Benson, has told institutional investors its existing portfolio of 41 properties is worth about SKr7.4bn ($939m).

Shares in the group, which made a pro-forma operating profit of SKr405m on rental income of SKr562m last year, are expected to be distributed to Diligentia shareholders this spring.

EMERGING MARKETS PRICE GAINS AS INVESTORS REACT POSITIVELY TO YELTSIN SACKINGS

Russian equities survive cabinet shock

By Emiko Terazono

The Russian equity market appears to have weathered the upheaval last week caused by President Yeltsin's sacking of the cabinet, with a gain of almost 2 per cent on the week.

"Investors seem to hope that political reform will deliver positive economic developments," says Matthew Merritt, emerging markets strategist at ING Barings. Russian shares are now 28 per cent higher since their lows in January, although 40 per cent below the peak last year.

According to S&P Micropal, the fund trackers, emerging market funds sold a net $900m of Russian stocks last year, as the market felt effects of the Asia contagion.

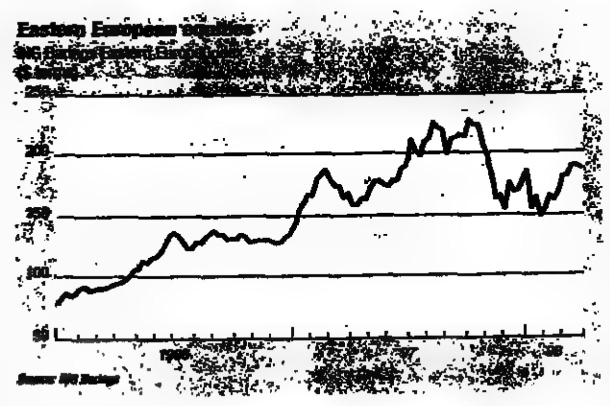
Although Russia has proved to be one of the more volatile markets among developing countries, it is exactly such sharp price movements which make it attractive for funds taking a high risk/high return strategy. As sentiment towards Russia turns cautiously positive, global emerging market funds and eastern European funds, looking for large positive returns, are once again focusing on the country.

Stefan Böttcher, director of Fleming Investment Management, says he is looking to increase Fleming's flagship eastern European fund's exposure to Russia. Exposure has declined from 45 per cent at the middle of last year to 25 per cent.

While Russia felt the full effects of last year's turmoil in Asia, other parts of eastern Europe were relatively unscathed. The region has been insulated from the economic effects of the slowdown in Asian demand and is also expected to be relatively sheltered from a downturn in earnings expectations in other big markets.

Western Europe plays a dominant role in regional trade flows and the economies of central and eastern Europe are increasingly looking west, says ING Barings in a recent report. Compared with the role of China in relation to south-east Asia or of Brazil for Latin America, Russia's influence remains limited, it says.

Eastern European equities



In continental Europe, some of the most conservative investors, such as pension funds in Switzerland, have started to move into eastern Europe.

The case for investment in the region is supported by a difference in economic policies between eastern Europe and Asia. Credit Suisse First Boston points out that east European countries have pursued "better" currency policies than the Asians. Rather than a fixed peg to the dollar – the policy of many Asian governments – east Europeans have adopted a band or a crawling peg to a basket of reserve currencies.

The carrot of being part of the European Union, meanwhile, means that fiscal and monetary policies have remained tight. Companies have also maintained low gearing compared with their south-east Asia counterparts.

The region has been unfamiliar to UK investors, however, due to a shortage of historical links and trade interaction if compared with Germany and the Scandinavian countries. "UK investors have felt more comfortable with markets like South Africa and India due to the historical ties," says Mr Böttcher.

Some UK fund managers are positive about Hungary, which has many strong manufacturing companies. Poland, meanwhile, rallied as investors "parked" money originally invested in Russia. But while domestic retail investors have supported the bullish sentiment, share prices seem fully valued and the market faces the risk of money going back into Russia once sentiment turns, says Philip Poole, director of emerging Europe at ING Barings.

Valuing companies in the region seems to be a harder task for fund managers, as compliance and disclosure remain poor. Arnab Banerji, chief investment officer at Foreign & Colonial, likes the Czech Republic at a macroeconomic level but says he has not been able to invest in it, as corporate accounts are too opaque.

Sidek nears debt deal as foreign creditors protest

By Henry Tricks in Mexico City

Sidek, the Mexican property conglomerate, is attempting to clinch a $1.9bn debt restructuring today, despite threats from foreign bondholders that could land the company in Mexico's Byzantine bankruptcy courts.

Last-minute negotiations had yesterday failed to convince some bondholders to agree to the terms of the restructuring, which is aimed at recovering some of the lost fortunes within the biggest corporate casualty of Mexico's 1995 peso crisis.

If no agreement is reached, the bondholders have threatened to seek bankruptcy proceedings against Sidek subsidiaries in Mexico, where the arcane legal system could tie the plan in knots for years.

Sidek is understood to have persuaded most creditors to support the plan, but foreign creditors holding at least 10 per cent of Sidek's outstanding debt were still demanding better terms. They include BEA, a subsidiary of the Swiss commercial bank Credit Suisse, an original creditor, as well as bond funds that bought Sidek's distressed debt at a discount.

The foreigners allege that the restructuring plan discriminates against them in favour of Mexican banks such as Banamex, the main lender to Sidek's tourism and property businesses before the company defaulted. Banamex, Sidek's agent in the restructuring, is the company's largest creditor and a major shareholder.

Much hinges on whether the bondholders have a claim on Sidek's assets, including marinas, golf courses and hotels, as they believe they do. Their opponents claim their ownership of Mexican Acceptance Corp (MAC) notes, guaranteed by Sidek, gave them titles only to receivables.

The restructuring aims to put all assets into a liquidation trust, to be sold over five years, with secured debt-holders having main rights to payment. The assets are worth only an estimated $1.2bn, $700m less than Sidek's debts. That means unsecured creditors, chiefly the foreigners, would end up short.

CME to start trading rouble contracts

By Nikki Tait, Chicago

Russian rouble futures and options will start trading on the Chicago Mercantile Exchange, one of the two big US futures markets, on April 21 – the first time rouble contracts have been available outside Russia itself.

The CME had already announced its intention to bring on rouble futures and options, but, in addition to setting a firm date for their launch, also detailed the contracts' structure.

Each contract will be cash-settled and sized at Rbs500,000, equivalent to about $82,020. The contracts will be traded around the clock, either via the CME trading floor during normal Chicago trading hours, or via the exchange's electronic Globex system after-hours.

The minimum tick size will be $0.000025 per rouble, or about $12.50 a contract. The launch is still subject to final regulatory approval from the US Commodity Futures Trading Commission.

The CME says the decision to introduce rouble futures reflects the growing trade and investment ties with Russia, and claims that the contracts will enable banks, institutions and individual investors to better manage the foreign exchange risk posed by those links.

However, the unpredictable political climate in Russia has caused some analysts to speculate that the new contracts could be highly volatile, and question how quickly liquidity will develop if the currency nose-dives.

MARKETS WEEK

March 30 - April 5

NEW YORK

By Richard Tomkins

The week ahead is light on corporate earnings announcements, but thoughts are already turning to the flood of first-quarter results that will begin the week after next.

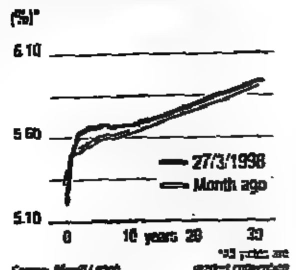
Worries that the numbers will disappoint were one of the factors preventing the Dow Jones Industrial Average from passing the 9,000 level last week.

The recent surge in US stock prices has taken the price/earnings ratio on the Standard & Poor's 500 index to its highest recorded level, raising the risk of a sharp correction if earnings fall short of expectations. So any high-profile profit warnings this week could shake investor confidence.

On the other hand, equity and bond markets remain underpinned by solid US economic fundamentals. In spite of strong growth in the US economy, low oil prices and the Asian crisis have stifled the threat of inflation, making it unnecessary for the Federal Reserve to spoil the party by raising interest rates.

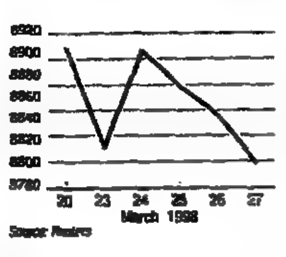
The Fed's open market committee meets tomorrow to consider monetary policy, but with the economic background so benign, few analysts think there is any likelihood of an interest rate rise.

Benchmark yield curve (%)*



Source: Merrill Lynch *10 yields are market convention

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

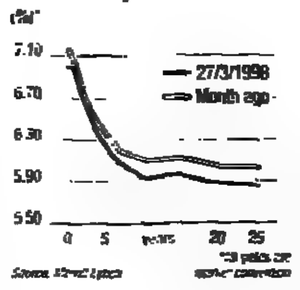
Having failed to close above 6,000 in the past few sessions, the FTSE 100 index may make a final assault on that level before the end of the tax year. Cash-flow from institutions and personal investors appears strong, although there are some concerns about valuation after the yield on the All-Share index fell to its lowest since records began.

A smattering of UK economic news may give investors some idea about the direction of interest rates. Consumer credit data and the Confederation of British Industry's distributive trades survey may show whether, as indicated by recent retail sales numbers, high street spending is slowing.

The purchasing managers' index will point to the strength of manufacturing, which has been hit by the strength of the pound. Trade-weighted sterling reached its highest since February 1989 last week.

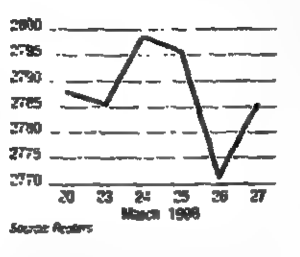
However, the main market moving news of the week may come from the US, where the Federal Reserve Open Market Committee meets on Tuesday and the non-farm payroll report will be released on Friday. A rise in US interest rates could finally kill off the bull market.

Benchmark yield curve (%)*



Source: Merrill Lynch *10 yields are market convention

FTSE All-Share index



Source: Reuters

FRANKFURT

By Graham Bowley

It will be a busy time for German corporate news this week. BMW, Deutsche Bank, Commerzbank and Grundig all present details of last year's business. Bayerische Hypo and Bayerische Vereinsbank, the two big Bavarian banks that are merging, present their first joint earnings press conference tomorrow.

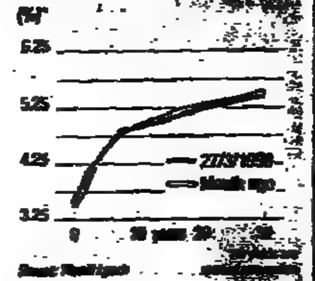
The battle to secure control of Rolls-Royce Motor Cars, put up for sale by Vickers of the UK, will also dominate attention. Both Volkswagen and BMW have bid for the car group.

There were weekend reports that Vickers could announce the winner as early as today, although it has said the decision could take several weeks.

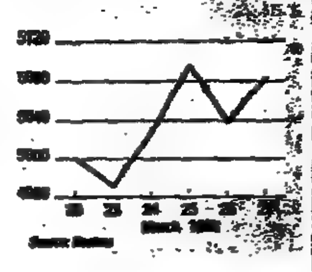
German shares ended strongly on Friday, the Xetra DAX index of 30 top company shares closing at 5066.9, up 37.9. VW shares saw one of the biggest gains, rising to DM1,404.5, up DM58.5, or 4.3 per cent.

There may be a reaction to the Bundesbank's lending support to a broad-based monetary union in Europe. The central bank warned in a report of the risks to stability posed by high-debt countries Italy and Belgium, but concluded that the single currency was in the end "justifiable".

Benchmark yield curve (%)*



Dax index



TOKYO

By Gillian Tett

Tokyo's stock market faces a crucial week as Japan prepares for the end of the 1997 fiscal year. The level of the Nikkei 225 on March 31 is deemed particularly important, because the country's banks and industrial companies have traditionally held large amounts of equity in the form of cross-shareholdings.

The value of these shares is calculated according to the level of the markets on March 31. If the market falls between the end of one financial year and the next, these companies usually have to report accounting "losses" on these shares.

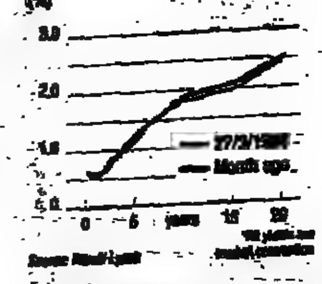
On March 31 1997, the Nikkei 225, the key stock market indicator, closed at 18,003; last week it closed at 16,789.26.

Some analysts expect the government to take steps to bolster share prices, by unveiling new tax cut promises or using funds from the postal savings system to purchase shares.

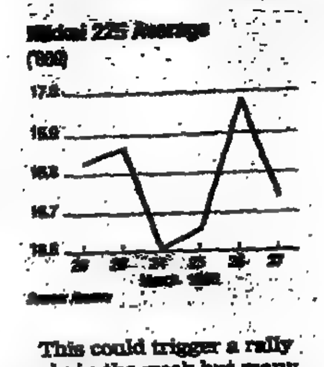
This could trigger a rally early in the week but many analysts doubt whether such operations will boost the market for long.

It has been hit recently by fresh gloom about the economy and some expect it to fall sharply after April 1 unless the government lends fresh support.

Benchmark yield curve (%)*



Nikkei 225 Average ('000)



COMPANIES DIARY

French sugar crop likely to boost Eridania

Eridania Béghin-Say, the French food group, will tomorrow report net profits of FFr1.64bn-FFr1.98bn, compared with FFr1.66bn ($270m) in 1996, according to analysts' forecasts. Sugar accounts for roughly half of Eridania's sales and the success of last year's French sugar crop will have helped boost earnings.

The company reported that weather conditions were favourable during the growing season and yields would be at least equivalent to those of 1996. In 1997 Eridania disposed of some non-strategic assets in order to refocus on core activities. It also made acquisitions in eastern Europe, including ZT Kruswica, Poland's largest oilseed-crushing and bottled-oil marketing company, to increase its range of high-margin products.

Further acquisitions in Austria, Denmark and South Africa have also added to earnings. Operations in Italy and the US continued to be problematic during 1997 and poor harvests in Italy were aggravated by the lira's strength, analysts said. *AFX-News, Paris*

● ING, the Dutch banking and insurance group, is expected on Thursday to report net profit for 1997 of Fl 4.05bn-Fl 4.1bn, compared with Fl 3.32bn ($1.61bn) a year earlier. It is expected to take provisions of Fl 160m-Fl 300m for problems in Asia. An increased dividend to Fl 2.25-Fl 2.30 from Fl 2 is forecast.

Banking is set to show faster growth this year with the acquisition of BBL. *AFX-News, Amsterdam*

TODAY

● London & Manchester, the UK assurer, is expected by NatWest Markets to unveil a fall in life profits of about 14 per cent to £39.7m ($66.3m). However, profits from non-life activities is expected to be higher. Overall, NatWest expects a pre-tax operating profit of £48.5m, down from £52.2m. However, David Nisbet at the broker has told clients that the share price reaction is likely to focus on the new embedded value information, to be released for the first time. This should make it easier to calculate figures. Mr Nisbet forecasts an embedded value of £482m, equivalent to 395p a share.

● The economies of scale and quality management of Blue Circle, the cement company, made it a favourite with investors. That confidence has been dented by worries about a downturn in economically troubled south-east Asia and intensifying competition in Chile, where market leader Holderbank is planning a new plant that may disturb the balance of supply and demand. Pre-tax 1997 profits are expected to rise 14 per cent to £340m.

● Manchester United is expected to unveil a rise in interim profits before tax and transfers from £15.7m to about £17m for the six months to January 31. But profits after transfers at the UK's largest quoted football club are forecast to fall sharply, because of the purchase of Henning Berg, the Norwegian defender. Manchester United is also expected to report a slowdown in merchandise sales.

● Shares in Maiden Group have rallied after news of the recommended offer for fellow outdoor advertising company More Group, and final figures may show the attractions of the sector. A consensus of forecasts from First Call, the estimates service, suggests a pre-tax figure of £10.05m, up from an underlying £8m.

TUESDAY

● Highland Distilleries, producer of Famous Grouse whisky, reports interim results with expectations of £26m pre-tax profits, up from £24.9m last year. Observers will be interested in any indications of the hoped-for recovery of the UK scotch market where sales of Famous Grouse, the number two brand, recovered slightly last year. Further afield, much hangs on the the world market for single malts, with The Macallan recording strong sales growth, especially in the US.

● Jefferson Smurfit, the Irish paper and packaging group quoted in London, is expected to unveil final results in the region of I£135m ($98m), down from I£201m last time, with investor attention likely to focus on whether the notoriously cyclical paper cycle has turned. Analysts will also be interested to hear any news on cost-cutting.

● Lightside building materials companies – which make products including pipes and bathroom fittings – struggled last year, in contrast to comfortable earnings increases from producers of aggregates. Analysts are keen to see whether Hepworth, which falls into the first category, can buck the trend. But strong sterling and poor trading conditions in the rest of Europe could make that tough. A consensus of forecasts from First Call suggest pre-tax 1997 profits of £80.8m, down 20 per cent.

● LucasVarity reports annual results amid speculation about its next strategic move. Last week it restructured its debt facilities, and the £803m sale of the Varity Perkins diesel engines business has given it the firepower for a £700m-£800m acquisition in automotive or aerospace components. Fourth-quarter sales will be affected by the lower number of working days, but LucasVarity, under Victor Rice, should meet its promises of quarter-on-quarter profit margin improvements and of £40m merger-related cost savings for the year. A consensus of analysts' estimates from First Call suggests a pre-tax figure of £331m in the year to January, up from £282m.

● United Assurance is also expected to unveil a fall in life profits, although the total pre-tax operating profit is set to come in at about £300m, up from £200m.

● Rugby Group, the cement and joinery company, is a minnow compared to Blue Circle. The company has been restructuring underperforming operations. The results should reveal whether the medicine is working. A consensus from First Call suggests a pre-tax figure of £71.2m, up about 21 per cent.

THURSDAY

● Senior Engineering is expected to come in with full-year pre-tax profits of £40.6m, up from 31.5m last time, in the first full year since it disposed of the loss-making thermal engineering division.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Federal Home Loan Banks(a)	1bn	Mar 2001	5.625§	99.858R	5.678	+16(5⅝-Feb01)	ABN Amro
Capital 1 MT, Class A(b)	500	Apr 2008	6.31	100.00	6.441	+52(5⅝-Feb08)	Barclays Capital
Capital 1 MT, Class B(b)	59.226	Jun 2008	6.358	100.00	6.394	+50(5⅝-Feb08)	Barclays Capital
Investor AB	300	Apr 2008	6.25	99.7218	6.316	+65(5⅝-Feb08)	JP Morgan Securities
Goldman Sachs Group(c)‡	108	Apr 2005	(c1)	99.71	-	-	Goldman Sachs Intl
ING Bank (Sao Paulo)	150	Mar 1999	8.375§	100.00	8.375	+303(T-bill)	ING Barings
Bear Stearns Co Inc	500	Mar 2003	6.2[illegible]	99.5788	6.285	+67(5⅝ 5yr)	Bear Stearns Intl
Sea Hawks One, Cl A(d)‡	474.25	Feb 2008	(f1)	100.00	-	-	Royal Bank of Scotland
Bank Montreal(g)‡	350	Apr 2005	(g1)	99.878	-	-	BMO Nesbitt/Goldman
European Inv'ment Bank(h)	300	Nov 2025	zero	18.5482	6.872	-	CSFB
Bancaja Intl Finance‡	250	Apr 2000	(i)	99.93	-	-	ABN Amro
Argentaria Capl Funding(k)	150	undated	7.20(k)	100.00	7.367	-	Merrill Lynch Intl
Fullerton Global Capital§	1bn	Apr 2003	zero	100.00	-	-	DBS Bank/MSDW
Pemex★	350	Mar 2005	8⅝(l)	99.762R	8.417	+275(7⅞-Feb05)	JP Morgan Securities
Pemex★	350	Mar 2018	9¼(l)	98.892R	9.282	+335(6⅞-Nov27)	JP Morgan Securities
Dresdner Bank Finance	300	Apr 2003	5.875	99.59R	5.975	+34(5⅝ 5yr)	Bear Stearns/Dresdner
Guangdong Investment(n)§	125	Apr 2003	3.25§	100.00	-	-	HSBC/Jardine Fleming
Daimler-Benz Nth America(o)	100	Apr 2002	5.90	100.085R	5.875	+40(5⅝-Feb01)	ABN Amro
Toronto Dominion Bank	500	Apr 2001	6.00	100.00R	6.00	+35(5⅝-Feb01)	Nomura International
Union Bank of Norway‡	250	Apr 2003	(p)	99.985R	-	-	Paribas
Winchmore Corp‡	150	Mar 1999	(q)	100.00	-	-	Chase Manhattan Intl
Banco ABN Amro Brasil	100	Mar 1999	8.25§	99.85R	8.378	+259(Libor)	ABN Amro
CPFL★	50	Mar 1999	8.875§	99.503R	9.00	+315(Libor)	Barclays Capital
Yapi Kredi Securitisation(r)‡	115	Apr 2003	(r1)	100.00R	-	-	SBC Warburg DR
Republic of Argentina‡	1bn	Apr 2005	(s)§	100.00	-	-	Morgan Stanley DW
Republic of Colombia(t)	500	Apr 2008	8.625§	99.054R	8.647	+280(5⅝-Feb08)	Goldman/Salomon SB
D-MARKS							
European Inv'ment Bank(u)	500	Feb 2003	4.50(u)	100.043R	4.485	+7(4½-Aug02)	CSFB/SBC Warburg DR
Cades	1.5bn	Oct 2012	5.25(v)	99.464R	5.292	+21(t)	JP Morgan
SNS Bank Nederland	500	Apr 2008	4.75	99.48R	4.870	+30(7¼-Jan08)	ABN Amro/Bayer.LB
KfW	4bn	Jan 2008	5.00(w)	100.045	4.997	+13(t)	Deutsche/Merrill Lynch
Citibank CCMT 98-5, Cls A	1.25bn	Apr 2005	4.875	99.85R	4.935	+25(7¼-Jan05)	Deutsche Morgan Grenf
Russian Federation	1.25bn	Mar 2005	9.375	99.668R	9.442	+475(7¼-Jan05)	Deutsche/SBC/WDR
Federative Republic of Brazil	750	Apr 2008	(x)	99.20R	7.914	+305(5¼-Jan08)	ABN Amro/Dresdner KB
Argentaria Capl Funding(k)	350	undated	6.35(k)	100.00	6.505	-	Merrill Lynch Capl Mkts
Goldman Sachs Group	400	Apr 2008	5.375	99.25R	5.474	+64(5¼-Jan08)	Goldman Sachs Firt
GECC	250	Apr 2002	4.375	99.84R	4.420	+10(4½-Feb02)	SBC Warburg DR
SudwestLB Capital Markets	200	Apr 2003	2.50	91.18R	4.510	+10(5¾-Nov02)	Goldman Sachs Firt
Republic of Turkey	1bn	Apr 2006	(y)	99.75R	8.13	+325(6¾-Jan06)	Commerzbank/CSFB
SudwestLB Capital Markets	1bn	Jan 2009	5.00	99.08R	5.117	+20(t)	SBC/WDR/SocGen
FRENCH FRANCS							
Popular Finance(Cayman)‡	1bn	Apr 2009	(z)	99.743R	-	-	CPR/Paribas
Chase Manhattan Corp(t)	500	Sep 2008	6.125	104.727R	5.551	+60(t)	Banque CPR/Chase
Allianz Finance	4bn	Mar 2008	5.00(z)	95.877R	5.750	+27(t)	Dresdner/JPM/SocGen
Bayerische Hypo	1bn	Apr 2008	5.375	99.75R	5.406	+52(t)	Paribas
Frankfurter Hypo‡	500	Apr 2008	(t)	100.325	-	-	CDC Marchés
BCG Finance‡	1bn	Apr 2008	(A)	99.58R	-	-	CDC Marchés
ITALIAN LIRE							
World Bank(a)‡	400bn	Apr 2013	(a1)	99.70r	-	-	Credito/Sanpaolo Intl
BNP(b)‡	150bn	undated	(b1)	100.00R	-	-	BCI/BNP/JP Morgan
Credito Italiano‡	100bn	Apr 2002	(C)	101.525	-	-	Credito Italiano
Lehman Brothers Hldgs(D)	150bn	May 2009	9.35	100.00R	-	-	Lehman Brothers Intl
STERLING							
Halifax	300	Apr 2008	6.375	99.832R	6.398	+38(7¼-Dec07)	Barclays/Lehman
BNG	200	Mar 2005	6.375	99.859R	6.401	+27(6¾-Nov04)	Deutsche/Salomon S
Hypo im Essen	175	Apr 2000	7¼(d)	99.892R	7.165	+60(8%-Dec00)	Lehman Brothers Intl
CIBA Speciality Chemicals	300	Apr 2013	6.50	97.92R	6.724	+65(9%-Aug12)	SBC Warburg DR
Republic of Austria	250	Apr 2004	6.25	99.775R	6.296	+19(6¾-Nov04)	HSBC Markets
Frankfurter Hypo(LP)	100	Feb 2008	6.375	100.088R	6.359	+34(7¼-Dec07)	Barclays/Deutsche MG
BL Universal plc(e)	200	Mar 2020	6.75§	95.894	6.849	+103(8%-Jan21)	SBC Warburg DR
BL Universal plc(e)	100	Mar 2011	6.75§	98.25	6.938	+90(9%-Aug12)	SBC Warburg DR
BG plc	150	Apr 2000	7.00(f)	99.858R	7.079	+[illegible](Dec00)	Lehman Brothers
BP Capital(L)	200	Apr 2000	7.00(f)	99.984R	7.008	[illegible]	Lehman/JP Morgan
Bayerische Landesbank(u)	50	Dec 2001	7.375	102.351R	6.627	+20(7%-Nov01)	CSFB
Sino Pacific Secs, APZ‡	50.33	Apr 2036	(C1)	100.00R	-	-	Greenwich NatWest
Yorkshire Water plc	200	Apr 2018	6.875	98.700R	6.985	+85(8%-Dec08)	HSBC/SBC/WDR
SWISS FRANCS							
Total	300	Apr 2003	2.25	100.85	2.069	-	CSFB
Frankfurter Hypo	500	Apr 2008	3.125	102.40	2.846	-	CSFB/Deutsche
Westpac Banking Corp	200	Apr 2003	2.50	101.80	2.117	-	SBC Warburg DR
CCDQ	150	May 2008	3.00	102.30	2.677	-	del Gotthardbank Grd
GUILDERS							
Bayerische Vereinsbank	300	Apr 2003	4.60	99.781R	4.550	+7(6½-Apr03)	ING Barings
Friesland Bank	200	Apr 2008	5.25	100.00R	5.250	+37(t)	ABN Amro
EUROS(p)							
Reseau Ferre de France	1bn	Apr 2010	5.25	100.00R	5.250	+20(t)	Paribas/SBC/WDR
NEW ZEALAND DOLLARS							
World Bank(e)	150	Sep 2000	7.00§	97.723	8.048	-	Hambros/HBC-Dominion
Halifax Finance	100	Apr 2000	6⅝(l)	101.075	7.774	-	TD Securities
SWEDISH KRONOR							
Crédit Local De France	500	May 2003	5.375	102.05	4.900	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with $2bn. Plus 12 days accrued. b) Legal maturity 15/09/11. Monthly coupons. c) $500m launched 19/03/98 increased to $600m. Callable from Apr 01 at par. c1) 3-mth Libor +30bp. d) Fungible with DM1.5bn. Plus 67 days accrued. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Legal maturity: 06/11/30. Av life: 2½ yrs. 10% Clean-up call. f1) 3-mth Libor +25bp. f2) Class B: $35.5m, 2½ yrs, 3-mth Libor +65bp. g) Callable after 5 yrs at par. g1) 3-mth Libor +30bp to Apr 03, then +135bp. h) Fungible with $1bn. i) Over interpolated yield. j) 3-mth Libor flat. k) Callable after Apr 03 at par. l) Long 1st coupon. m) Exchangeable into Singapore Telecom at S$3.39. FX: 1.611 S$/US$. [illegible] 130% hurdle [illegible] -60bp. r) Recommended re-offer. s) Short 1st coupon. t) Fungible with FFr11.2bn. Plus 200 days accrued. u) Callable after 4 yrs at par. Includes L150bn increase at 99.75r. u1) 7⅛% to Apr 02, then 15% [illegible] x 12-mth Libor. v) $200m launched 3/3/98 increased to $300m. w) Fungible with NZ$650. Plus 27 days accrued. x) Issuer is British Land/ SUS joint venture. y) Callable from Apr 08. y1) 3-mth Libor +70bp to Apr 08, then +220bp. z) Fungible with £200m. Plus 100 days accrued. A) Conversion price: HK$4.02. FX: 7.7493HK$/US$. Redemption: 139.564%. Callable after 3 yrs subject to 145% hurdle at accreted value. Greenshoe: $35m. B) 10½% to Apr 00, then 7%. C) Av life: 3.9 yrs. C1) 1-mth Libor +24bp to Apr 08, then coupons double. C2) Also issued: Class M of £5.5m and Class B of £3m. D) 6% to Oct 98, 5.3% to Apr 99, then variable (linked to £/Lira Libor spread). E) 3-mth Libor +6¾bp. G) 4½% to Apr 03, then Tec-10 -24bp. H) 3-mth Libor £+10bp. J) Redeemed at par or Telecom Italia Mobile shares at L9,058.8. Pays 4.8% interest plus 4.75% option premium. K) Legal maturity: Jul 03. K1) 1-mth Libor +250bp. K2) Also issued: $5m paying 8.39% fixed. L) Includes £50m increase at 99.5335, +44bp. M) Tec-10 -40bp. N) Fungible with £250m. Plus 59 days accrued. P) Oeffentliche Pfandbrief. Q) Linked to yield on Argentine 2006 global; initial 8.728%. T) Plus 1 day accrued. Note: Yields are calculated on ISMA basis.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*105	100	35.0	100	100	Advent 2 VCT	100		-	-	-	-
-	F.P.	885.8	118	94	Baus II	97½		-	-	-	-
-	F.P.	-	12	4	Eurovid Units Wts	4½		-	-	-	-
§255	F.P.	218.1	447½	411½	Guardian IT	435	+1	-	-	-	74.5
-	F.P.	4.30	3	2½	†Hartford Grp	3		-	-	-	-
§180	F.P.	355.4	202½	180	Monsoon	200		L4.0	2.2	2.5	22.9
§290	F.P.	104.3	465½	412½	Oxford Asymmetry	440½	+11½	-	-	-	76.5
§25	F.P.	1.85	117½	77	†Peel Hotels	115½	-1	-	-	-	-
§125	F.P.	40.7	164½	127½	†Pennant Intl	162½		N6.15	2.5	-	20.6
*-	F.P.	18.0	99	99	Quester VCT 2	99		12.4	-	3.3	-
-	F.P.	8.42	110	82½	†Sirdar	83½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Mar 27	% chg since 31/12/97	Mkt Cap ($bn)	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1161.78	+9.8	33.32	100.00	2.14	-	1654.42	801.28
■ Regional Indices								
Africa (14)	1837.21	-8.1	7.19	21.58	5.30	19.33	1843.30	921.78
Australasia (7)	1401.78	+21.2	4.05	12.14	2.46	18.56	1952.18	933.63
North America (11)	1174.43	+12.7	22.08	66.27	1.04	43.89	1574.16	864.88

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RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	1997/98 Low	Stock	Closing price p	+or-
10	Nil	17/4	7½pm	3½pm	Oxford Biomedica	7½pm	+3
180	Nil	8/4	42½pm	25pm	Paragon	35pm	
3	Nil	3/4	¼pm	¼pm	Pax	¼pm	
226	Nil	8/4	23pm	18½pm	Westbury	18½pm	-1½

pm premium.

STOCK INDICES

	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	1997/98 High	1997/98 Low	Since comp. High	Since comp. Low
FTSE 100	5930.3	5905.8	5937.8	5903.7	5947.0	5997.8	5062.2	5997.8	985.0
FTSE 250	5633.2	5515.4	5544.4	5523.3	5525.5	5544.4	4789.2	5544.4	1379.4
FTSE 250 ex IT	5572.8	5533.9	5580.4	5562.5	5564.4	5580.4	4808.3	5580.4	1378.3
FTSE 350	2855.8	2840.9	2868.0	2872.2	2858.1	2872.3	2444.7	2872.4	664.5
FTSE SmallCap	2637.84	2630.70	2625.15	2619.81	2610.47	2637.84	2320.18	2637.84	1363.79
FTSE SmallCap ex IT	2633.64	2625.24	2617.22	2607.06	2603.01	5584.18	2316.19	5584.10	1363.79
FTSE All-Share	2785.44	2771.33	2785.85	2798.25	2786.72	2798.85	2380.32	2798.85	61.92
FTSE Fledgling	1415.27	1412.08	1414.57	1410.32	1410.54	1418.27	1285.77	1415.27	31.14
FTSE Eurotop 100	2800.44	2779.59	2806.10	2788.52	2760.50	2806.19	2236.40	2806.10	2044.47
FTSE Eurotop 300	1214.43	1207.13	1217.94	1208.78	1197.86	1217.94	971.93	1217.94	874.09
FT 30	3768.7	3754.1	3790.2	3736.70	3708.1	3790.7	3235.4	3790.7	49.4
FT Govt Securities	104.12	104.27	104.33	104.39	104.13	104.51	101.52	127.40	49.18
FT Fixed Interest	140.74	140.82	141.01	140.81	140.58	141.81	135.65	141.81	50.53
FTSE Gold Mines	1151.79	1111.58	1066.02	1073.73	1057.95	1128.50	829.38	2074.81	503.02

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aac
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa,
Registration number 01/05309/06)
("Anglo American")

Amgold
ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa,
Registration number 05/09084/06)
("Amgold")

De Beers
DE BEERS CONSOLIDATED MINES LIMITED
(Incorporated in the Republic of South Africa,
Registration number 11/00007/06)
("De Beers")

(together "the Promoters")

JCI Limited
JCI LIMITED
(Incorporated in the Republic of South Africa,
Registration number 46/08888/06)
("JCI")

VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa,
Registration number 05/17364/06)
("Vaal Reefs")
(To become Anglogold Limited)

ergo
EAST RAND GOLD AND URANIUM COMPANY LIMITED
(Incorporated in the Republic of South Africa,
Registration number 71/07001/06)
("Ergo")

EASTVAAL GOLD HOLDINGS LIMITED
(Incorporated in the Republic of South Africa,
Registration number 91/04409/06)
("Eastvaal")

ELANDSRAND GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa,
Registration number 74/01477/06)
("Elandsrand")

FREEGOLD
FREE STATE CONSOLIDATED GOLD MINES LIMITED
(Incorporated in the Republic of South Africa,
Registration number 05/28210/06)
("Freegold")

HJ JOEL GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa,
Registration number 85/01995/06)
("Joel")

SOUTHVAAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa,
Registration number 66/11806/06)
("Southvaal")

WESTERN DEEP LEVELS LIMITED
(Incorporated in the Republic of South Africa,
Registration number 57/02349/06)
("Western Deeps")

(together the "the Participating Companies")

A GOLD COMPANY FOR THE 21ST CENTURY

ANGLOGOLD: THE BENEFITS

OPERATIONAL
- The world's biggest gold producer – 6 million recovered ounces per year
- A significant in situ reserve base of 140 million ounces, including the attributable reserves from Driefontein
- A total resource base of 418 million ounces, comprising:
  - existing operations – 196 million ounces
  - selected mineral rights – 59,7 million ounces
    - extensions to the Vaal Reefs operations – 10,9 million ounces
    - extensions to Western Deeps through Western Ultra Deep Levels – 48,8 million ounces
  - share interests – 25,9 million ounces
    - Sadiola – 2,2 million attributable ounces
    - Navachab – 2,3 million attributable ounces
    - 21,5 per cent stake in Driefontein – 21,4 million attributable resource ounces
  - other "blue sky" mineral rights in South Africa, which are considered uneconomic at the current gold price – 135,5 million ounces
  - exploration rights in other African countries, including current reserves of 2,7 million ounces
- both open pit and deep level mining operations, thereby creating a diversified operational risk profile
- Commitment to developing operations and exploration activity worldwide, thereby creating a diversified country risk profile
- Inclusion of Minorco gold interests under discussion

FINANCIAL
- for the investor – capital re-investment AND dividend flow
- Globally competitive cash and total costs
- Access to capital based on an ungeared balance sheet

CORPORATE GOVERNANCE
- A majority of non-executive directors, most of whom will be independent of the major shareholder
- No service agreements with Anglo American
- World class operational, managerial, technical, financial and marketing expertise

On 25 November last year, it was announced that Anglo American was promoting the formation of Anglogold – a globally active gold mining and exploration company.

Vaal Reefs – to be renamed Anglogold Limited ("Anglogold") today, 30 March 1998 – will be the vehicle into which Anglogold and the Participating Companies will be merged and gold mineral rights, share interests and service agreements acquired from Anglo American and companies associated with it ("the Overall Transaction").

FINAL RATIOS

The preliminary exchange ratios published on 26 November 1997 have been examined by independent financial advisers – Standard Corporate and Merchant Bank ("SCMB") on behalf of Elandsrand, Ergo, Freegold and Western Deeps; FirstCorp Merchant Bank Limited ("FirstCorp") on behalf of Amgold, Eastvaal and Southvaal; and SBC Warburg Dillon Read on behalf of Anglogold – in the light of, *inter alia*, information provided by the independent technical adviser, Steffen, Robertson and Kirsten Consulting Engineers (Pty) Limited ("SRK").

Subsequent to signing the JCI agreement on 12 March 1998 with respect to the JCI transaction – detailed below (which, upon fulfillment of the conditions precedent, will result in a change of control of Joel), the Joel board will appoint an independent financial adviser to advise it as to whether the terms and conditions of the proposed scheme and the exchange ratio of 1,33 Anglogold ordinary shares for every 100 Joel ordinary shares are fair and reasonable to the shareholders of Joel. An announcement by the Joel board in this regard will be made in due course.

SCMB, in considering its responsibilities to shareholders of Elandsrand, Ergo, Freegold and Western Deeps, recommended that the preliminary exchange ratios for Elandsrand and Western Deeps did not adequately reflect the valuations of these companies relative to Anglogold, and so the exchange ratios for these companies have been adjusted accordingly. Following further discussion, it was decided that the Eastvaal preliminary exchange ratio should also be adjusted.

The reasons for the adjustments are detailed below:

EASTVAAL

During 1997, shareholders were advised that the structure of the ore body at No 11 shaft was under review, following the successful completion of a 3D seismic survey over the lease area. The structural results of this review, together with the method of accessing the deeper reserves of the shaft, were presented to investors after the announcement of the financial year-end results in Johannesburg on 22 January 1998.

The estimation of reserves, revision of the capital estimates and review of working costs have now been completed. The ore reserves reflect a 9 per cent improvement on the reserves published in the 1996 annual report, from 341 to 371 tons of contained gold. While there is a slight decrease in tonnage, there is a 3,4 grams/ton increase in the *in situ* grade. However, this contained gold will take longer to access than was originally anticipated.

The revised layout should reduce capital expenditure by R300 million and allow for a more efficient hoisting operation, thereby decreasing travelling times to the working faces. This improved hoisting efficiency should flow through as lower unit costs and result, ultimately, in an increase in the project value.

ELANDSRAND

When the plan was initially proposed regarding the incorporation of Deelkraal Gold Mining Company Limited ("Deelkraal") into Elandsrand it was assumed that, although certain improvements would be achieved immediately, it would take approximately two years to effect a complete turnaround. It is now believed that the time required to effect the turnaround might have been over-estimated and that the quantum of the synergies which could ultimately be achieved as a result of the merger may have been under-estimated. In addition, the Deelkraal workforce has been

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reduced by 20 per cent without any effect on gold production and this has had a noticeable, positive effect on unit costs of production. Consequently, it is believed that the Deelkraal turnaround has already been largely achieved and this should be reflected in the improved Deelkraal operating results for the quarter ending 31 March 1998.

WESTERN DEEPS

After the seismic events in May 1996, production was intentionally slowed at Western Deeps in order to reconfigure the face-shapes and revise the life-of-mine plan. This reconfiguration took some time to achieve and consequently Western Deeps' operating results, with the exception of the second six months of 1997 (which were not available to the market at the time of the initial announcement of the ratios), have been somewhat depressed. Production is now back on schedule and Western Deeps is currently outperforming its target. It is believed that these factors could have led to the market undervaluing Western Deeps relative to Anglogold.

The preliminary exchange ratios for Ergo, Freegold, Joel and Southvaal have not been adjusted.

The final exchange ratios, therefore, are as follows:

	Preliminary exchange ratios*	Final exchange ratios	Based on final exchange ratios
Company	Number of Anglogold ordinary shares per 100 shares held	Number of Anglogold ordinary shares per 100 shares held	Expected number of Anglogold ordinary shares to be issued (millions)**
Eastvaal	2,13	2,30	7,2
Elandsrand	6,56	8,50	9,7
Ergo	2,80	2,80	1,4
Freegold	11,59	11,59	13,2
Joel	1,33	1,33	4,8
Southvaal	40,08	40,08	7,5
Western Deeps	47,35	53,00	14,7
Total			58,5

**Preliminary exchange ratios were, as indicated in the announcement published on 26 November 1997, determined on the basis of the simple average of the closing prices on the Johannesburg Stock Exchange ("JSE") for the 30 trading days up to and including 21 November 1997*

***Total number of shares has been calculated as if all the sub-transactions constituting the Overall Transaction were successful*

Following the adjustments to the exchange ratios, SCMB is of the opinion that the terms and conditions of the schemes are fair and reasonable to the shareholders of Elandsrand, Ergo, Freegold and Western Deeps; FirstCorp is of the opinion that the terms and conditions of the schemes are fair and reasonable to the shareholders of Eastvaal and Southvaal, and is of the opinion that the schemes, insofar as they relate to Amgold, are fair and reasonable. SBC Warburg Dillon Read is of the opinion that the Overall Transaction, which includes the Joel exchange ratio, is fair and reasonable to the shareholders of Anglogold. In forming these opinions, the independent financial advisers considered a variety of valuation methodologies including discounted cash flow valuations of Anglogold and the Participating Companies; industry valuation benchmarks; historical share prices and volumes of shares traded; the value of the gold mineral rights, service agreements and share interests acquired by Anglogold as part of the Overall Transaction, and current economic, regulatory, market and other conditions. As mentioned above, the Joel board will publish an announcement on the Joel exchange ratio in due course.

MECHANICS OF THE OVERALL TRANSACTION

The Overall Transaction comprises:

- the schemes of arrangement;
- the alternative offers;
- the acquisition of the gold mineral rights;
- the acquisition of the share interests; and
- the cession and assignment of the service agreements.

The implementation of the Overall Transaction is subject to the fulfillment of the conditions precedent outlined below.

Where Anglogold ordinary shares are to be issued in terms of the overall transaction, such shares have been valued at a price of 19 500 cents per share, being the closing price of an Anglogold ordinary share on the JSE on 31 December 1997, the day before the proposed effective date of the Overall Transaction.

THE SCHEMES OF ARRANGEMENT

Anglogold will propose schemes of arrangement ("schemes") in terms of Section 311 of the South African Companies Act, No. 61 of 1973 (as amended) ("the Companies Act") between the Participating Companies and their respective shareholders in terms of which the Participating Companies will, on implementation of the schemes, become wholly owned subsidiaries of Anglogold. Shareholders of the Participating Companies will receive Anglogold ordinary shares in accordance with the final exchange ratios set out above.

THE ALTERNATIVE OFFERS

In view of the possibility of a scheme not proceeding for any reason, an offer referred to as the alternative offer, will be made to the shareholders of the relevant Participating Company, other than Joel (Note: the alternative offers will not be made in any area of jurisdiction where it is illegal to make such offers without complying with the formalities required by such jurisdiction and with which the offers do not comply). An alternative offer in relation to Joel will only be made if the acquisition of JCI's share interest in Joel by Anglo American and companies associated with it becomes unconditional. Anglo American and companies associated with it have undertaken to accept each such offer that becomes effective.

If the relevant scheme does not proceed and, as a result, an alternative offer becomes effective, accepting shareholders will receive the same number of Anglogold shares as they would have received under the relevant scheme. The alternative offer will become effective from the date of notification in the press and remain open for a period of not less than 21 days, which period, with the consent of the Securities Regulation Panel ("the SRP"), Anglogold may extend from time to time.

In the event of an acceptance in respect of 90 per cent of the shares held by the offerees in terms of Section 440K of the Companies Act, the compulsory purchase provisions of that section will be applied by Anglogold in respect of the relevant Participating Company.

GOLD MINERAL RIGHTS

Anglogold will acquire from the Promoters those mineral rights in South Africa which relate principally to gold, at a value determined by SCMB.

Anglogold will purchase selected mineral rights in South Africa outright as they are either contiguous to its enlarged operations or are regarded as highly prospective. They will be acquired for the agreed value of R165 million through the issue of 846 154 Anglogold ordinary shares.

The remaining gold mineral rights in South Africa, approximating an area of 2 000 km², are to be acquired by Anglogold for:

- an upfront payment of R1,96 million satisfied by the issue of 10 051 Anglogold ordinary shares;
- a royalty of 20 per cent of pre-tax profits, or a 15 per cent equity participation in the project for no further consideration, at the discretion of the relevant vendors, should these mineral rights be exploited; and
- a share of the profits to the vendors should these mineral rights be disposed of by Anglogold. This profit share would be 95 per cent in the first year, reducing by 5 per cent per annum to 75 per cent in the fifth year and thereafter.

The mineral rights to be acquired by Anglogold in Africa but outside South Africa have been valued by SCMB and include the following:

- assets in Tanzania valued at R382,5 million, which comprise joint ventures on 44 gold prospecting licences in Tanzania with local and international companies, together with 12 licences held in the name of the Tanzanian companies. Current prospecting indicates that the defined resources could increase considerably. This is to be settled by the issue of 1 961 744 Anglogold ordinary shares; and
- permits in Senegal and other African countries, for which the consideration has been determined as follows:
- an upfront payment of R19,5 million to be settled by the issue of 99 897 Anglogold ordinary shares;
- a 20 per cent share of the after tax profits if the area is exploited, which is convertible into a 20 per cent equity participation for no further consideration at the vendors' discretion; and
- a 20 per cent share of the after tax profit to the vendors on the sale of the properties, if the profit share has not been converted into equity.

SCMB is of the opinion that the values of the gold mineral rights as outlined above are fair and reasonable in the context of the Overall Transaction.

SERVICE AGREEMENTS

Anglo American's service agreements with the companies which will form part of Anglogold will be ceded and assigned to Anglogold. The valuation of the service agreements between Anglo American and Anglogold, the Participating Companies and certain unlisted companies was determined by SBC Warburg Dillon Read, the independent financial adviser to Anglogold. The consideration of R666,4 million in respect of these service agreements, which also includes R3,6 million in respect of the service agreement between Anglo American and Erongo Mining and Exploration Company Limited, as valued by SCMB, will be satisfied by the issue of 3 417 436 Anglogold ordinary shares. The consideration for the cession and assignment of the service agreement between Anglo American and Anglogold will only be settled in shares with the consent of Anglogold shareholders, failing which the consideration will be paid in cash plus interest. Furthermore, as part of the transaction with JCI, Anglogold will acquire the service agreement between JCI and Joel for R50 million in cash and will pay R12,5 million in cash as a reimbursement for JCI's costs of re-organisation and restructuring.

DRIEFONTEIN

Anglogold will acquire the 18,7 per cent interest in Driefontein Consolidated Limited's ("Driefontein") shares held by Anglo American, Amgold and De Beers for a consideration to be settled by the issue of 5 553 595 Anglogold ordinary shares, in the ratio of 14,59 Anglogold ordinary shares for every 100 Driefontein shares held. SCMB, the independent merchant bank, has determined that this exchange ratio is fair and reasonable. In addition, Anglogold will acquire a 0,4 per cent indirect interest in Driefontein through its acquisition of 89,4 per cent of Western Ultra Deep Levels Limited from Anglo American and companies associated with it. The direct and indirect share interest acquired of 19,1 per cent of Driefontein, when aggregated with the interest currently held by Anglogold, will result in Anglogold holding an interest of 21,5 per cent in Driefontein.

UNLISTED SHARE INTERESTS

Unlisted share interests will be acquired by Anglogold at values determined by SCMB, as set out below:

	Value Rand millions	Total number of Anglogold ordinary shares to be issued
100% of Anmercosa Mining (West Africa) Limited which holds a 38 per cent interest in La Société d'Exploitation des Mines d'Or de Sadiola SA ("SEMOS") (the company that was established in 1994 to exploit the Sadiola Hill and other gold deposits in the SEMOS Exploitation Area situated in western Mali) and a 50% interest in Sadiola Exploration Limited (the company that effects gold exploration outside the SEMOS Exploitation Area, but within the Sadiola region)	875,3	4 488 891
100% of Erongo Mining and Exploration Company Limited ("Erongo"), which holds a 70% joint venture interest in the Navachab Venture situated in Namibia	71,4	366 154
51,7% of Eastern Gold Holdings Limited, which has an entitlement to royalties from the profit generated from the Freegold 3 mine	71,8	368 172
89,4% of Western Ultra Deep Levels Limited, which holds mineral rights approximating 49km² in the Carletonville area, south of the current West Wits line, and interests in Elandsrand, Western Deeps and Driefontein	442,5	2 269 335
Other share interests	5,7	29 487
Total	1 466,7	7 522 039

In addition to the above, Anglogold will acquire:

	Value US dollar millions
100% of Anmercosa Services Mali SA which provides services to SEMOS	12,3
Subordinated loan to SEMOS	105,8
Other loans	3,9
Total	122,0

which will be discharged in the form of an equivalent US Dollar denominated interest bearing loan account against Anglogold.

SCMB is of the opinion that the values of the share interests detailed above are fair and reasonable in the context of the Overall Transaction.

MINORCO'S GOLD INTERESTS

It was announced on 25 November 1997 that Anglogold was to approach Minorco to explore the possibility of a combination with Minorco's gold interests located in North and South America, the Far East and Australasia. Discussions are now in progress with Minorco in order to develop such a transaction which would significantly enhance Anglogold's global production and exploration portfolio.

THE JCI TRANSACTION

The agreement in principle with JCI, published on 26 November 1997, has been amended as was published on 13 March 1998. In terms of the revised transaction ("the JCI transaction"), subject to conditions precedent outlined below, JCI will exchange its:

- 60 per cent interest in Joel; and
- its 3,0 per cent interest in Anglo American Platinum Corporation Limited

for a 21 per cent interest in Lonrho plc ("Lonrho") held by Anglo American and De Beers. Anglogold will acquire the JCI service agreement with Joel for R50 million in cash and will pay R12,5 million in cash as a reimbursement for JCI's costs of re-organisation and restructuring. The difference in the value of the assets exchanged will be settled by a cash payment of R219 million from JCI to Anglo American and De Beers.

Anglo American and De Beers will then inject the Joel shares acquired from JCI, together with their and Amgold's existing shareholding in Joel, into Anglogold for Anglogold ordinary shares ("the Joel sub-transaction").

FUTURE RELATIONSHIP BETWEEN ANGLO AMERICAN AND ANGLOGOLD

Anglogold will be the vehicle through which Anglo American will invest in future exploration and in mining of gold worldwide. On completion of the Overall Transaction, Anglo American and its subsidiaries will be Anglogold's largest shareholders with an equity interest of just over 50 per cent. Anglogold will be independently managed. This will be characterised by:

- a fully dedicated and entirely independent management, including its Chief Executive Officer, Bobby Godsell. The management will be remunerated by Anglogold and incentivised by an Anglogold share incentive scheme;
- a reconstituted board which will comprise not more than 17 members, three of whom will be executive directors with the balance being non-executive directors. Of the non-executive directors, five will be Anglo American nominees;

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- the managerial and financial capability and resources to carry out all aspects of its ongoing business activities;
- where appropriate, the purchase of selected specialised services from Anglo American on normal commercial terms. Any such contract will be subject to the approval of a board committee consisting exclusively of directors independent of Anglo American; and
- no management or other contracts in terms of which any turnover or profit related fees are payable to Anglo American. Existing contracts of this nature will be ceded and assigned to Anglogold.

CONDITIONS PRECEDENT

Implementation of the Overall Transaction is subject to, *inter alia*, the following conditions precedent:

- the passing by Anglogold shareholders, in accordance with the requirements of the Companies Act and the Listings Requirements of the JSE, at a general meeting of Anglogold shareholders, of all resolutions necessary to approve and implement the Overall Transaction; and
- the passing by Amgold shareholders, in accordance with the requirements of the Companies Act and the Listings Requirements of the JSE, at a general meeting of Amgold shareholders, of all resolutions necessary to approve and implement the Overall Transaction. This condition can be waived at the instance of the Anglogold directors.

Each of the schemes of arrangement proposed by Anglogold between the relevant Participating Companies and their shareholders shall be subject to, *inter alia*, the following conditions precedent:

- the fulfilment of each of the conditions precedent in respect of the Overall Transaction set out above;
- the relevant scheme having been agreed by a majority representing three quarters (75 per cent) of the votes exercised by shareholders of the relevant Participating Company present and voting, either in person or by proxy, at a meeting of those shareholders convened in terms of Section 311 of the Companies Act;
- the Court sanctioning the relevant scheme; and
- the Order of the Court sanctioning the relevant scheme being registered by the Registrar of Companies.

The Joel sub-transaction shall be subject to the following conditions precedent:

- the approval by the JCI shareholders in general meeting of the JCI transaction; and
- the approval by the Lonrho shareholders in general meeting of the eventual acquisition of a 21 per cent interest in Lonrho for cash.

The acquisition of the share interests shall be subject to, *inter alia*, the necessary approvals of shareholders not disposing of their interest in the relevant company, and in the case of SEMOS, these shareholders and the senior lenders.

FINANCIAL EFFECTS OF THE OVERALL TRANSACTION

The financial effects set out below are based on historical financial statements prepared on the appropriation method of accounting for wasting assets in accordance with generally accepted accounting practice in the South African gold mining industry. It should be noted that the earnings per ordinary share set out below are historical and do not purport to represent future profits. It should also be noted that because of, *inter alia*, the wasting nature of mining assets, the net asset value figures set out below do not necessarily represent realisable values for the assets.

The transaction includes not only current profit generating operations but also the following assets that will generate distributable earnings in the future:

- Eastvaal – due to pay its first dividend in 2002;
- service agreements – an ongoing cost reduction; and
- mineral rights which are contiguous to existing mining areas and which could form part of future mining plans.

The effect of the above is to dilute earnings in the short term and to increase them in the longer term. In addition, because the ratios have been based on life-of-mine valuations, and earnings are not evenly distributed over this period, the effect of the merger varies from company to company. Specifically, in the case of Ergo, the effect of the Overall Transaction is to extend the period in which dividends are received by Ergo shareholders from six years to in excess of 20 years. In the case of Joel, no appropriation for capital expenditure was made in 1997 and therefore, the figures are not directly comparable.

The financial effects have been calculated at 31 December 1997 (in the case of Joel, the 30 June 1997 audited financial statements have been used) as if the transaction had been implemented on 1 January 1997 and are purely an aggregation of earnings and net assets without taking into account any operational synergies.

The tables below set out the financial effects of the Overall Transaction on the earnings and net asset value calculated on the appropriation basis attributable to:

(Note: Where Anglogold shares are referred to these are ordinary shares in Anglogold)

Anglogold shareholders

	Before Overall Transaction per 100 shares (Rand)	After Overall Transaction per 100 shares (Note 1) (Rand)
Earnings	1 642,9	1 549,6
Net asset value	29 237,0	23 044,8

Eastvaal shareholders

	Before Overall Transaction per 100 Eastvaal shares (Rand)	After Overall Transaction per 2,30 Anglogold shares (Note 1) (Rand)
Earnings	16,5	35,6
Net asset value	202,0	530,0

Elandsrand shareholders

	Before Overall Transaction per 100 Elandsrand shares (Rand)	After Overall Transaction per 8,50 Anglogold shares (Note 1) (Rand)
Earnings	114,1	131,7
Net asset value	2 022,0	1 958,8

Ergo shareholders

	Before Overall Transaction per 100 Ergo shares (Rand)	After Overall Transaction per 2,80 Anglogold shares (Note 1) (Rand)
Earnings	129,0	43,4
Net asset value	1 843,0	645,3

Freegold shareholders

	Before Overall Transaction per 100 Freegold shares (Rand)	After Overall Transaction per 11,59 Anglogold shares (Note 1) (Rand)
Earnings	179,2	179,6
Net asset value	5 530,0	2 670,9

Joel shareholders

	Before Overall Transaction per 100 Joel shares (Rand)	After Overall Transaction per 1,33 Anglogold shares (Note 1) (Rand)
Earnings	47,0	20,6
Net asset value	349,0	306,5

Southvaal shareholders

	Before Overall Transaction per 100 Southvaal shares (Rand)	After Overall Transaction per 40,08 Anglogold shares (Note 1) (Rand)
Earnings	919,6	621,1
Net asset value	14,0	9 236,4

Western Deeps shareholders

	Before Overall Transaction per 100 Western Deeps shares (Rand)	After Overall Transaction per 53,00 Anglogold shares (Note 1) (Rand)
Earnings	776,5	821,3
Net asset value	13 590,0	12 213,8

Note 1: Based on the assumption that all the sub-transactions constituting the Overall Transaction are successfully implemented.

OPINIONS AND RECOMMENDATIONS

SRK is of the opinion that the technical data, as outlined in its independent technical adviser's report which it has prepared on Anglogold, each of the Participating Companies and certain other companies, is valid and accurate and has advised the boards of the Participating Companies and Anglogold accordingly. The aforesaid independent technical adviser's report has been used as the basis for valuations performed by SCMB and the analyses performed and opinions provided by SBC Warburg Dillon Read, FirstCorp and SCMB.

SCMB is of the opinion that the schemes are fair and reasonable to the shareholders of Elandsrand, Ergo, Freegold and Western Deeps and has advised the respective boards accordingly.

SCMB has determined the value of the gold mineral rights and the share interests and the Erongo service agreement, and has advised the boards of directors of the Participating Companies and Anglogold, Amgold, De Beers and De Beers Centenary AG of the values, bases and methods of valuation of each of these assets. SCMB is of the opinion that the values of the gold mineral rights and the share interests, including the exchange ratios as proposed in respect of Driefontein and the value of the Erongo service agreement, are fair and reasonable in the context of the Overall Transaction and has advised the boards of the Participating Companies, Anglogold, Amgold, De Beers and De Beers Centenary AG accordingly.

FirstCorp is of the opinion that the schemes are fair and reasonable to the shareholders of Eastvaal and Southvaal and has advised the respective boards accordingly.

FirstCorp is of the opinion that the schemes, in so far as they relate to Amgold, are fair and reasonable to Amgold shareholders and has advised the board of Amgold accordingly.

SBC Warburg Dillon Read has determined the value of the service agreements held by Anglo American, excluding the Erongo service agreement, and is of the opinion that the Overall Transaction is fair and reasonable to Anglogold shareholders and has advised the board of Anglogold accordingly.

RELATED PARTIES

In terms of the Listings Requirements of the JSE, the disposal of gold interests by Amgold to Anglogold is regarded as a related party transaction. Therefore, at the Amgold shareholders' meeting to approve the Overall Transaction, the resolution is subject to a simple majority of shareholders other than Anglogold (the related party) and its associates (which term is deemed to include Anglo American and its subsidiaries) being in favour.

The Overall Transaction is regarded as a related party transaction in respect of the acquisition by Anglogold of assets from Anglo American. Therefore, at the Anglogold shareholders' meeting, the resolution to approve or give effect to the Overall Transaction will be subject to a simple majority of the votes of shareholders other than Anglo American (the related party) and its associates (as defined by the JSE Listings Requirements).

DELISTING OF THE PARTICIPATING COMPANIES

Pursuant to the implementation of the Overall Transaction (and assuming that each scheme becomes effective), the Participating Companies will become wholly owned subsidiaries of Anglogold. Accordingly, applications will be made to the JSE and other relevant stock exchanges for the termination of the listings of the shares of the Participating Companies upon implementation of the schemes.

LISTING OF ANGLOGOLD

Application will be made to the JSE for a listing of Anglogold shares to be issued as a consequence of the Overall Transaction.

Application will be made for the listing of the new Anglogold shares to be issued on the London Stock Exchange and the Paris Stock Exchange.

DOCUMENTATION

Subject to the approval of the JSE, the Securities Regulation Panel, the High Court of South Africa and other regulatory bodies, circulars containing full details of the Overall Transaction and the notices convening the meetings of shareholders of the Participating Companies, Amgold and Anglogold will be posted to the respective shareholders concerned in due course.

Johannesburg
27 March 1998

Independent financial adviser to Anglogold
SBC Warburg Dillon Read

Independent financial adviser to Elandsrand, Ergo, Freegold and Western Deeps and the independent merchant bank to the Overall Transaction
Standard Corporate and Merchant Bank

Legal advisers
Webber Wentzel Bowens
Maponya Inc.

Joint sponsoring brokers in South Africa
SBC Warburg Dillon Read
Smith Borkum Hare

Sponsoring broker in the United Kingdom
SBC Warburg Dillon Read

Independent technical adviser
Steffen Robertson and Kirsten Consulting Engineers (Proprietary) Limited

Independent financial adviser to Amgold, Eastvaal and Southvaal
FirstCorp

This announcement has been approved solely for the purposes of section 57 of the Financial Services Act 1986 by SBC Warburg Dillon Read. SBC Warburg Dillon Read is a division of Swiss Bank Corporation, is regulated in the United Kingdom by the Securities and Futures Authority Limited and is acting for Anglogold in relation to the Overall Transaction and no one else and will not be responsible to anyone else for providing protections afforded to customers of SBC Warburg Dillon Read or for providing advice in relation to the Overall Transaction.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey National First Cap FRN 2002 $28.75
Do Sub Collared FRN 2004 $31.79
Acres (No1) Class A BFR 2005 £12.74
Do Class M1 BFR 2005 £213.71
Do Class M2 BFR 2005 £223.68
Acres (No2) Class A BFR £137.91
Do Class M1 BFR 2007 £202.49
Do Class M2 BFR 2007 £212.46
Acres (No3) Class A BFR 2006 £179.51
Do Class M1 BFR 2006 £199.25
Do Class M2 BFR 2006 £204.81
Australian Industry Devlpt 10½% Bds 1999 £105
BAA 8½% Bds 2021 £42.50
Bass 10⅜% Db 2016 £5.1875
Treasury 7¼% 1998 £3.625
Treasury 15½% 1998 £7.75
Chubu Electric 7⅜% Notes 2001 C$73.75
Eastern Electricity 8¾% Bds 2012 £94.10
Fleming Overseas Inv FRN 2007 £1994.99
Greycoat Stppd FRN 2002 £31250
Harry Ramsden's 4p
Ireland 8¾% Cap 2012 I£4.375
Lloyds Bank Undated Sub 5.57% Coupon Nts Y2785000
Lloyds TSB 8½% Sub Bds 2006 £85
London Electricity 8% Bds 2003 £80
Mazda Motor 4.05% Bds 2002 Y405000
Mountview Ests 12p
Nationwide Bldg Society 8⅝% 2018 £86.25
Nihon Doro Kodan 5⅞% Bds 2000 $293.75
OKI Electric 6½% Bds 2000 Y650000
Prism Rail 4p
Scottish Hydro ADR $1.1952
SFI Group 0.4p
Thorn B 0.223p
Tuntex (Thailand) FRN 1998 $185.95
Unilever Capital 9¼% Gtd Nts 2000 £92.50
Do 11⅝% Mtg Db 2019/2024 £5.6875
British Tele 12¼% Bds 2006 £306.25
Do 12¼% Bds £306.25
Brixton Est 11¾% Mtg Db 2018 £5.875
Cable & Wireless 7% Cv Ln 2008 £3.50
Capital & Counties 6¼% Mtg Db 1993/98 £3.125
Cheshire Bldg Society FRP £49.05
Churchberry Ests 9% Uns Ln 2000 £4.50
City Site Ests 5¼% Cv Rd Prf 2.625p
Do 10½% Mtg Db 2017 £5.25
Cleveland Place 5% Rd Db 2000 £2.50
Do 12⅛% Rd Db 2008 £6.0625
Coats Viyella 4.9% Cm Prf 2.45p
Commercial Union 8⅜% Cm Prf 4.1875p
Courtaulds 7¾% Uns Ln 2000/05 £3.875
Courts 5.9% Cm Prf 2.95p
Craegmoor Finance Class A FRN 2008 £2018.835
Do Class B FRN 2008 £2058.15
Do Class C FRN 2008 £2203.767
Credit Foncier de France 14¾% Gtd 2007 £368.75
Dai-Ichi 3⅜% Cv Bds 2004 $96.875
DAKS Simpson 5% Cm Prf 1.75p
De Beers Centenary Fin 8¼% Gtd 2009 £4.125
De La Rue 2.45% Cm Prf 1.225p
Drummond 8% Cm Prf 2.8p
Dunyat Inv Tst Cv Monthly Div 0.5p
Eastern Electricity 8⅜% Bds 2004 £83.75
Do 8½% Bds 2025 £85
Eclipse Blinds 6¾p Cv Prf 3.375p
Do 6¾p Rd Prf 3.375p
Edinburgh Inv Tst 7¾% Db 2022 £3.875
Edinburgh Smlr Co's 7¾% Db 2023 £3.875
Emhart 6% Cm Prf 2.1p
Englehard Corp Comm $0.10
Enterprise Capital Tst Stppd Cv Uns Ln 2000 £2.75
Feedback 10% Cv Prf 5p
Filofax 1.65p
Finsbury Gwth 5% Cm Prf 2.5p
Finsbury Trust 5¼% Cm Prf 2.625p
Firth Rixson 11.05% Cv Prf 5.525p
Foreign & Col Emerg Mkts 6½% Cv Ln 2010 £3.25
Foreign & Col Inv 5% Cm Prf 1.75p
Forminster 11½% Cm Prf 5.75p
Fuji Bank 1⅛% Cv Bds 2002 $43.75
Do 3% Cv Bds 1999 $75
Fulcrum Inv Tst Inc 2.65p
Gartmore Shared Equity Grd Inc 2.475p
GATX $0.50
GEC 3.43p
Govett Strategic Inv 11½% Db 2014 £5.75
Grainger Tst 10½% Mtg Db 2024 £5.875
Do 11¾% Mtg Db 2024 £5.875
Gt Portland Ests 9½% Mtg Db 2016 £4.75
Do 10¾% Mtg Db 2021 £5.375
Greenalls 8% Cm Prf 4p
Greycoat 9½% Bds 2003 £475
Haoo 10⅝% Db 2017 £5.3125
HALOS 8⅜% Cm Prf 5.8p
Haslemere Ests 10¼% Mtg Db 1999/2003 £5.125
Haven Funding 8⅛% Bds 2037 4.0625p
Health Mngmt 7.181% Bds 2003/27 £293.22
Hill & Smith 14% Mtg Db 200/03 £7
Homer Finance Class A2 Mtg FRN 2036 £89.26
Do Class A3 Mtg FRN 2036 £197.57
Do Mazz Mtg FRN 2026 £211.75
Housing Finance 5% Db 2027 I£2.862
Do 7% Db 2009 £3.50
Do 7% Db 2009 (series 2) £3.50
Indian Railway FRN 2003 $353.57
INVESCO English & Intl 5½% Cm Prf 1.925p
Do 8⅞% Cm Prf 4.4375p
Do 10⅝% Db 2014 £5.3125
Inv Tst of Inv Tst Wrt Income 2.2p
Jasmin Cv Uns Ln 1999 78.5616p
Johnstone Grp 10% Cm Prf 5p
Jones Stroud 10% Cm Prf 5p
Jupiter Primadona Growth 2.5p
Jupiter Split Annuity Prf 6.6p
Do Pckg Units 39.6p
Kelsey Inds 11¼% Cm Prf 5.625p
Kvaerner Process 4⅞% 2003 £2.4375
Do 5⅝% 2003 £2.8125
Land Sec 6¼% Mtg Db 1993/98 £3.125
Do 10% Mtg Db 2025 £5
Do 10% Mtg Db 2027 £5
Do 9% Bds 2020 4.5p
Do 7% Cv Bds 2008 £35
Land Sec Finance 6% Gtd Cv Bds 2007 £30
London Cremation Co 10% Cm Prf 3.5p
London Merchant Secs 10% Mtg Db 2018 £5
Lookers 8% Cv Cm Prf 4p
Majedie Invs 9½% Db 2020 £4.75
Marston Thompson & Evershed 7% Uns Ln 1993/98 £3.50
McCarthy & Stone 7% Cv Uns Ln £3.50
McKay Secs 1.7p
MEPC 3.65% Cm Prf 1.825p
Do 12% Mtg Db 2017 £6
Do 8% Uns Ln 2000/05 £4
Mercury Grosvenor 1.75p
Milner Ests 1.386p
MITIE 1.1p
Mitsubishi Electric 2⅞% Cv Bds 2000 $71.875
Do 5¼% Cv Bds 1998 $131.25
Morland 5% Cm Prf 1.75p
Do 7¾% Db 2027 £3.875
Mucklow A & J 3.5011p
National Exhibition Centre 7⅛% Gtd Uns Ln 2027 £3.78125
NEC 2⅞% Cv Bds 2000 $71.875
NEC Finance 10⅝% Db 2016 £5.3125
Do 13⅝% Db 2016 £6.8125
Newcastle Bldg Society 11¼% Rd 2017 £5.625
NHL (3) Secs Class A2 Mtg FRN 2036 £59.73
Do Mezz Mtg FRN 2036 £167.94
Nissan Motor 5¾% Cv Bds 1998 $143.75
Northern Electric 8.061p Cm Prf 4.0305p
Northern Telecom $0.075
Parma Food Junior FRN 2000 L1671875
Do Senior FRN 2000 $1539.06
PCO Finance 8% Cap Bds 2005 £200
Petroleos Mexicanos 14½% Ln 2006 £7.25
Photobition 3p
Philips Electronics Fl2
Plantation & General 12% Cv Uns Ln 2001 £6
PUBCO 11¼% Db 2006 £5.625
Readicut Intl 6% Cm Prf 1.05p
Do 6¾% 2nd Cm Prf 2.1015p
Reckitt & Colman Cap Finance 9½% Cv Bds 2005 4.75p
REXAM 1.9375p
Do 7¾% Cv Prf 3.875p
Rights & Issues Inv Cap 0.95p
Do Income 14.5p
RIT Capital 2½% Cv Uns Ln 2000 £1.25
Royal Bk of Canada FRD 2005 $50.56
Royal Bk of Scotland Series B Non-Cm Prf $0.70
Do Series C Non-Cm Dollar Prf $0.59375
S & U 6% Cm Prf 2.1p
Scholl 5¼% Cv Cm Prf 2006/11 2.625p
Do 8⅞% Senior Cm Prf 2001/05 4.4375p
Schroder Split Fund Inc 2.3p
Scottish Mtg & Trust 8-14% Stppd Db 2020 £7
Scottish Natl Stppd Prf 4.072237p
Do 10% Db 2011 £5
Secs Trust of Scotland 4½% Cm Prf £1.575
Do 12% Db 2013 £6
Seninac FRN Y314453
Serco 4.4p
Shaftesbury 8½% Mtg Db 2024 £4.25
Shires Income 11% Cv Uns Ln 2003/04 £5.50
Shires Smaller Co's 2.075p
600 Group 3.15% Cm Prf 1.575p
Do 4.55% Cm 2nd Prf 2.275p
Smith WH 5¾% Cm Prf 2.875p
South African Brews 6.2% Gross Prf R0.062
Southend Prop 10½% Mtg Db 2025 £5.25
Stag 11% Cm Prf 5.5p
Standard Chartered 12⅞% Uns Ln £6.4375
Staveley Inds 5¼% Cm Prf 1.8375p
Sterling Inds 5½% Cm 1st Prf 1.925p
Tate & Lyle 6½% Cm Prf 2.275p
Do 8% Uns Ln 2003/08 £4
Do 10¾% Uns Ln 2003/08 £5.375
Telekim Malaysia Bhd 4% Cv Bds 2004 $100
Temple Bar 11.9p
THFC 5.65% Ind-Lkd 2020 £3.2604
Three Valleys Water 4% Irrd Cv Db £2
TMC Mtg Secs No1 FRN 2014 £12.02
Tops Ests 7½% Cv Uns Ln 2020 £3.75
Tor Inv 4¾% Cm Prf 1.6625p
Do 6% Cm Prf 2.1p
Trafford Park Ests 11¾% Mtg Db 2007/10 £5.875
Transport Devlpt 9¼% Uns Ln 1995/2000 £4.625
Trinity Care 7% B Cv Cm Prf 3.5p
Trinity Intl 5½% Cm Prf 1.925p
Vickers 5% Non-Cm Prfd (£100) £1.75
Do 5% Non-Cm Prf (£1) 1.75p
Do 5% (tax free 30p) Cm Prf 2.5p
Viridian 6.05p
Volex 7% Cm Prf 2.45p
Warburg SG 7⅝% Cm Prf 3.8125p
Wells Fargo FRN 2000 $51.11
Westland 12⅜% SDb 2008 £6.1875
Westpac Banking Perp FRN £303.02
Whitbread 4½% Rd Db 1999/2004 £2.25
Wilkinson & Riddell 5% Cm Prf 2.5p
Williams 8p Cv Prf 4p
Do 10¾% Cm Prf 5.375p
Wintrust 4.84p
Do 5¾% Cv Prf 2.875p
Do 10½% Cm Prf 5.25p

TOMORROW

Abtrust New Prld Inc RPI-Lkd db 2007 £2.77
Alexon 6¼% Cv Rd Prf 3.125p
API 3.85% Cm Prf 1.925p
Assoc British Eng 4.9% 2.45p
Do 8% Cv Cm Prf 4p
Audax Props 11% Mort Db 2021 £5.50
Automotive Prods 3½% Cm prf 1.75p
Do 4.55% 2nd Cm Prf 2.275p
Do 9% Cm Prf 4.5p
BAA 11¾% Bds 2016 £587.50
Bank fur Arbeit und Wirtscraft Sub FRN 2000 $300.17
Bemrose 7½% Cm Prf 2.625p
Berisford 5% Cv Ln 2015 £2.5
BG 7⅝% Bds 2000 £76.25
Do 8⅛% Bds 2003 £81.25
Blue Circle 5⅝% 2nd Db 1984/2009 £2.875
Boot (H) 5¼% Cm Pf 2.625p
BP America 8⅝% Gtd Bds 1999 ECU86.25
Bristol Water 11.2% Rd Db 2005 £5.6
Do 11¾% Rd Db 2004 £5.875
Do 12½% Rd Db 2004 £6.25
British Assets 4½% Prf 1.575p
Do 5% A Prf 1.75p
British Land Co 10½% Dfd Mrt Db 2019/24 £5.25
Curr Gtd Nts 1999 Y2541.66
Allied Domecq 9¾% Db 2019 £4.875
Asda Property 10⅜% Mtg Db 2011 £5.15625
Austin Reed 8% Cm Prf 2.8p
BET 5% Perp Db £2.50
Baldwin 7% Cm Prf 2.45p
Baxter Intl $0.291
Blick 9.5p
Bournemouth & West Hampshire Water 8½% Cm Irrd Prf 4.25p
Bowater Inc $0.20
Bristol Water 8¾% Cm Irrd Prf 4.375p
Brixton Est 10⅝% Mtg Db 2012 £5.875
Caffyns 6½% Cm Prf 2.275p
Do 10% Cm Prf 5p
Carclo Eng 10½% Cm Prf 5.25p
Carltom Comms 5½p Cm Cv Prf 2.75p
Channel Hldgs 0.55p
Chesterfield Props 5¼% Cv Prf 2.625p
Coastal Corp $0.10
Conversion 3½% £1.75
Courtaulds Clothing Brands 7½% Cm Prf 2.625p
Craig & Rose 5% Cm Prf 1.75p
Crest Nicholson 5½% Cv Prf 2.75p
Danka Business Sys 6¾% Cv SBN 2002 $3.375
East Surrey 7.8% Cm Irrd Prf 3.9p
Electricity Supply Board 8¼% 2003 I£4.125
Essex & Suffolk Water 11.2% Rd Db 2005/09 £5.60
Do 11¾% Rd Db 2002/04 £5.875
Fidelio Trust No2 11% AMD 2005 Dm55
FI Group 2.6p
Filtronic 0.65p
First Choice 1.9p
Do 9¾p Cv Cm Prf 4.875p
Fleming Contl European 5% Cm Prf 1.75p
General Accident 7⅞% Cm Prf 3.9375p
Granada 9⅝% Bds 2003 9.84p
GTE $0.47
Hambros 7½% Cm Prf 3.75p
Hampson Inds 6½p Cm Prf 3.25p
Hardys & Hansons 2nd Prf 2.1p
Heton 6% Cm Prf I£2.67
Henderson Far East Inc 1.7p
Henderson Greenfriar Inv Tst 5.25p
Heywood Williams Cm Prf 3.375p
Housing Finance Agency 4% Ind-Lkd 2015 I£2.862
Hull Corp 2½% Rd in or after 1938 £1.25
Do 3½% 2nd Issue £1.75
Hydro-Quebec FRN series IJ Oct 2005 $141.40
ITT Inds $0.15
IWP Intl I£4.69p
Illingworth Morris 6½% Cm Prf 2.275p
Do 6½% 2nd Cm Prf 2.275p
Intelek 0.3p
Investment Co Ptg Prf 3.5p
Ireland 8½% Cap 2010 I£4.25
Do 6¼% Tres Bd 1999 I£6.25
Johnson Matthey 5% Cm Prf 1.75p
KBC Advanced Techs 2.6p
Kunick 7p Cv Cm Rd Prf 3.5p
Do 8¼% Cv Cm Prf 4.125p
Leeds 13½% Rd 2006 £6.75
Liverpool Corp 3% Rd in or after 1942 £1.50
Do 3½% £0.875
London Corp 3% 2007 £1.50
MEPC 10½% Uns Ln 2032 £5.25
Marshalls 6.5p Cv Cm Prf 3.25p
Mentmore Abbey 0.34p
Menzies (J) 4.8p
Do 9% Cm Prf 4.5p
Mercury Keystone Inv 7¾% Db 2020 1.75p
Do 11¾% Db 2010/15 £5.6875
Metropolitan Water Board Lambeth Wtrwks 3% Rd Db £1.50
Do London Bridge £1.25
Do Met Water 3% 1963/2003 £1.50
Mid-Sussex Water 10% Rd Db 2013/17 £5
Do 12% Rd Db 2010 £6
Morgan Crucible 3.85% Cm Prf 1.925p
Do 3½% Cn 2nd Prf 1.75p
Network Technology 0.75p
Pictet British Inv 1.5p
Port of London Authority 3½% 1949/99 £1.75
Prowting 8.8% Cm Rd Prf 2002 4.4
Queens Moat Houses 10¼% Mtg Db 2020 £5.125
REA FR Uns Ln 1995/98 4p
RCO 11.05p
Reading 3½% £1.75
Rep New York $0.50
Federal District of Rio de Janeiro 5% Gold Bds 16.25p
Royal & Sun Alliance 7⅜% Cm Prf 3.6875p
Sabre Lease Mngmt 7¼% Mezz Nts 2001 £181.25
Do 5.8% Senior Nts 2001 £1450
Sara Lee $0.23
Scottish Media 6½% Cv Uns Ln £3.90
Sears Roebuck $0.23
Shell 5½% Mtg Cm Prf 1.925p
Spain Gvmt 4% £2
Standard Chrtd 7⅜% Non-Cm Prf 3.6875p
Do 8¼% Non-Cm Prf 4.125p
State Bk of New South Wales 8% Bds 2003 NZ$80
Stewart & Wight 6% Cm Prf 0.75p
Taylor Woodrow 9½% Mtg Db 2014 £4.75
Updown Investment 17p
Whitbread 5½% 3rd Cm Prf 1.925p
Do 5¾% Irrd Uns Ln £2.875
Witan Inv 8½% Db 2016 £4.25
Woolcombers 7½% Cm Prf 2.625p
Do 6% Cm 2nd Prf 2.1p
Xerox $0.36

WEDNESDAY APRIL 1

Abbey Natl Funding 6.1% Dual

THURSDAY APRIL 2

Abbey Natl Funding 5.8% Dual Curr Nts 2000 Y2416.66
Abbey Natl Treas 8% Gtd Bds 2003 £80
Allied Textiles 5.7p
Alvis 5.5% Cv Cm N/V Prf 2.75p
Annington Finance 8% Bds 2012/21 £200
Do FRN 1997/2006 £164.92
ASDA 0.91p
BOC 12¼% Uns Ln 2012/17 £6.125
Banks SC 4.25p
Bradstock 3.4p
El Du Pont De Nemours 8% Nts 2002 $80
Hampden 2.3p
Heritage Bathrooms 2.8p
Impala Platinum R0.60
Jos Income 3.25p
Leo 2 Class A2 Mtg FRN 2032 £196.02
Maruetsu 6.45% Bds 1998 Y645000
Novo Nordisk B Dkr5.75
Rubicon 2.7p
Seacon 1.25p
SEP Indl 0.8p
Ward Hldgs 1.6p
Worthington 1p

FRIDAY APRIL 3

Anglo American Platinum R1.16
Bensons Crisps 1.2p
Britannnia Smlr Co's 1.2p
BSkyB 2.75p
Do ADR $0.3375
Cleveland Place 3¾% Irrd Db £1.875
Do 4¼% Irrd Db £2.125
Fleming American 2.42p
Fleming Enterprise 1.55p
Galliford 0.5p
Grosvenor Inns 3.025p
Guinness Flight Extra Inc 1.8p
Do UNITS 1.8p
Misys 5.26p
Murray Split Capital 3.05p
Do Units 30.5p
Nokia FMK7.50
Oriel 2p
Pace Micro Tech 0.2p
Ransom (Wm) 0.89p
Royalblue 1.5p
Schlumberger $0.1875
Second Alliance 18p
Do 4½% Cm Prf £1.575
Second Consolidated 82.8p
Securicor 1.35p
Southern Newspapers 6p
Usher (F) 4p
VDC 1.375p
Yeoman Inv Inc 2.8p

SATURDAY APRIL 4

Burtonwood Brewery 7% Cm Prf 2.45p
Eurocopy 1.5p
Loxley Public 2½% Cv Bds 2001 $25
Tarmac Finance (Jersey) 9½% Cv Cap Bds 2006 £47.50

SUNDAY APRIL 5

Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bradford Prop 10½% Cm Prf 5.25p
CRH 7% A Cm Prf I£3.115
Compass 5¾% Cv Bds 2007 £143.75
Consd 2½% £0.625
Treasury 3% (after1975) £1.50
Treasury 8% 2002/06 £4

UK COMPANIES

TODAY

COMPANY MEETINGS:
Gardiner Group, Coopers & Lybrand, Abacus Court, 6, Minshull St, Manchester, 10.30
Harry Ramsden's, Harry Ramsden's Restaurant, White Cross, Guiseley, Nr. Leeds, 11.00
St David's Inv, Queen's Chambers, 2, North Street, Newport, Sth Wales, 12.15
Stadium Group, 11, Jubilee Avenue, Highams Park, Chigford, 10.00
Transport Devlpt, Glaziers Hall, 9, Montague Close SE1, 11.00
Willoughby's Consld, Mayoral Suite, Civic Entrance, Kensington Town Hall, Horton Street, W8, 10.30
BOARD MEETINGS:
Finals:
Andrews Sykes
BCH
Bisichi Mining
Burmah Castrol
Dinkie Heel
Doeflex
Friendly Hotels
Gaskell
London & Assoc Prop
Maiden Group
Newsquest
Primesight
Streamline
T & S Stores
Torex Group
Interims:
Burn Stewart Distillers
Creston Land & Estates
Manchester United

TOMORROW

COMPANY MEETINGS:
Henderson Greenfriar Inv, 3, Finsbury Avenue, EC2 2.15
Microgen, Standard House, 16-22, Epworth St, EC2, 4.30
Seacon, 38, West Ferry Rd, E14, 12.00
BOARD MEETINGS:
Finals:
Aquarius Group
Avonmore Waterford
Core Group
Dean Corp
Denistron Intl
Eonstone
Hepworth
Lamont Hldgs
Oxford Molecular
PGA European Tour
QS Hldgs
Radamec
Ruberoid
Rugby Group
Russell (A)
Save Group
Smurfit (Jeff)
Interims:
Highland Dists
London & St Lawrence
Pressac
Overseas Inv Tst

WEDNESDAY APRIL 1

COMPANY MEETINGS:
BWD Securities, Quayside House, Canal Wharf, Leeds, 11.30
Heavitree Brewery, Co's Offices, Trood Lane, Matford, 11.30
BOARD MEETINGS:
Finals:
Brook Service
CNC Prop
Delcam
McAlpine (A)

THURSDAY APRIL 2

COMPANY MEETINGS:
Beta Global Emrg Mkts, 3, Bolt Court, Fleet Street, EC4, 11.45
Fleming American Inv, 25, Copthall Avenue, EC2, 12.00
BOARD MEETINGS:
Finals:
Brands Hatch Leisure
BWI
DAKS Simpson
Hewden-Stuart
Laird Group
Peptide Therapeutics
Senior Eng
Soco Intl
Yorkdyde

FRIDAY APRIL 3

COMPANY MEETINGS:
Mayflower Corp, Nabarro Nathanson, 50, Stratton Street, W1, 10.00
Serco, National Physical Laboratory, Teddington, Middlesex, 10.00

BOARD MEETINGS:
Finals:
Forward Tech
Martin Intl

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not available until six weeks after the board meeting to approve the preliminary results.
This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

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Speakers include: President Kim Dae Jung; Mr Park Chung-Soo, Minister of Foreign Affairs and Trade, Republic of Korea; Mr Kim Woo-Choong, Chairman, Daewoo Group, President Elect of Korean Federation of Industries; Mr Cho Se-Hyung, Acting President of National Congress for New Politics
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May 13 & 14
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Privatization, Financing, Regulation, Projects (Gas & Electricity)
Keynote: Minister Cumhur Ersumer, Ministry of Energy & Natural Resources. TEAS, BOTAS, Undersecretariat of Treasury, InterGen, National Power, NV Nederlandse Gasunie, GAMA Industries, Shell International Gas Ltd, The World Bank, Koç Holding, Howard Energy Int., Stewart & Stevenson, CMS Electric & Gas Co., PacioCorp., Taylor-De-Jongh, The AES Corporation, ABB Project & Trade Finance.
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MAY 28
Mexico & The European Union: Investment & Business Prospects
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E-mail: mexico@canninghouse.com
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JUNE 15 & 16
The 3rd World Aluminium Conference
Speakers confirmed for this event, in association with CRU International, include senior executives from Alcan Aluminium Limited, Billiton Aluminium BV, Hydro Aluminium Extrusion, Kaiser Aluminum, Aluminium Industries SDN BHT, Alumax Inc and Aluminiy AO
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JUNE - VARIOUS DATES
Introduction to Company Financial Statements
The three Primary Financial Statements. Balance Sheet, Profit and loss account. Cashflow Statement. Cash and Profits, the important differences. Operating Profits and exceptional items. Dividends and Earnings per Share. Goodwill and Brands. Basic areas for analysis; Liquidity, Profitability, Efficiency.
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Fax: 202 861 0736
Email: international@mbaa.org
Mortgage Bankers Association of America
Maui, Hawaii, USA

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Yen on the ropes

By Simon Kuper

The yen is like a boxer who has braved out several rounds against a stronger opponent. It closed last Friday debilitated at Y130.3 to the dollar. This week it could get it in the neck. The knock-out punch could land on Wednesday, the start of Japan's new fiscal year and of the "Big Bang" of financial deregulation.

Officials want to boost the Nikkei 225 share average until Tuesday, to help Japan's fragile banks, which put the year-end values of their shareholdings on their balance sheets.

Officials seem to think a strong yen supports the Nikkei. The currency and the stock market do indeed move virtually in tandem. However, cause and effect may not be what Tokyo believes. It could simply be *that bad news for Japan hits* both yen and Nikkei.

In any case, hoping to help the stock market, Tokyo has talked up the yen. From Wednesday it might relax, and the yen could be driven on to the ropes.

Big Bang could then knock it to the floor. Among many deregulatory measures, the authorities will let Japanese investors place more money abroad. Given that the economy is weak, shares are artificially boosted, and bond yields are at post-war world lows, many investors will seize the opportunity. The capital outflows could hit the yen.

And in the next round, on Thursday, the currency meets the *tankan*. The Bank of Japan's quarterly industry survey is expected to be disastrous. Deutsche Morgan Grenfell forecasts the diffusion index of business conditions for big manufacturers will *drop from −11 in December* to −25. That would suggest a drop into recession.

The pound, by contrast, starts the week at a nine-year high against a trade-weighted basket of currencies, and just over a pfennig below last July's post-1992 high of DM3.069 to the D-Mark.

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr
Belgium	(BFr)	100	18.47	16.24	4.845	1.929	4780	5.482	19.87
Denmark	(DKr)	54.14	10	8.793	2.623	1.044	2588	2.957	10.81
France	(FFr)	61.57	11.37	10	2.983	1.188	2943	3.363	12.30
Germany	(DM)	20.64	3.812	3.352	1	0.398	986.5	1.127	4.123
Ireland	(I£)	51.84	9.575	8.419	2.512	1	2478	2.831	10.35
Italy	(L)	2.092	0.386	0.340	0.101	0.040	100	0.114	0.418
[illegible]									

D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

[illegible]

STERLING FUTURES (IMM) £62,500 per £

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

PHILADELPHIA SE D-MARK/$ OPTIONS

[illegible]

BENCHMARK GOVERNMENT BONDS

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

POUND IN NEW YORK

[illegible]

OTHER CURRENCIES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

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ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

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Scottish Provident Intl Life Ass Ltd

Scottish Widows International Ltd

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● MANAGED FUNDS NOTES

Highs & Lows shown on a 52 week basis

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EUROPE

AUSTRIA (Mar 27 / Sch)

BELGIUM/LUXEMBOURG (Mar 27 / Frs.)

CZECH REP (Mar 27 / Koruna)

DENMARK (Mar 27 / Kr.)

FINLAND (Mar 27 / Mka)

FRANCE (Mar 27 / Frs.)

GERMANY (Mar 27 / Dm.)

GREECE (Mar 27 / Drachma)

ITALY (Mar 27 / Lira)

NETHERLANDS (Mar 27 / Fls.)

NORWAY (Mar 27 / Kroner)

POLAND (Mar 27 / Zloty)

PORTUGAL (Mar 27 / Escudo)

SPAIN (Mar 27 / Pts.)

SWEDEN (Mar 27 / Kronor)

SWITZERLAND (Mar 27 / Frs.)

TURKEY (Mar 27 / Tk Lira)

PACIFIC

JAPAN (Mar 27 / Yen)

AUSTRALIA (Mar 27 / Aus$)

HONG KONG (Mar 27 / H.K.$)

INDONESIA (Mar 27 / Rupiah)

MALAYSIA (Mar 27 / MYR)

NEW ZEALAND (Mar 27 / NZ $)

SINGAPORE (Mar 27 / S$)

SOUTH KOREA (Mar 27 / Won)

TAIWAN (Mar 27 / TW $)

THAILAND (Mar 27 / Baht)

AFRICA

SOUTH AFRICA (Mar 27 / Rand)

AMERICAS

CANADA

TORONTO (Mar 27 / Can $)

4 pm close

MONTREAL (Mar 27 / Can $)

4 pm close

MEXICO (Mar 27 / Peso)

12.30pm

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 27 1998 US Dollar Index	% chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY MARCH 26 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	216.84	8.3	191.02	178.64	206.06	214.16	4.8	3.83	218.81	192.27	178.19	207.41	216.18	243.87	190.26	219.58
Austria (23)	221.21	17.0	194.89	182.25	210.22	210.06	18.9	1.55	217.36	191.00	177.00	206.03	205.89	221.21	175.14	186.45
Belgium (29)	309.78	21.7	272.90	255.22	294.39	288.22	23.9	2.45	311.74	273.94	253.87	295.50	289.05	316.38	227.73	237.88
Brazil (30)	260.97	9.4	229.91	215.01	248.00	545.75	11.4	1.74	263.08	231.15	214.22	249.35	549.96	322.44	184.94	236.93
Canada (120)	247.29	16.4	217.85	203.73	235.00	253.29	15.1	1.58	245.62	215.83	200.02	232.83	251.19	247.29	178.27	188.78
Denmark (34)	510.38	14.1	449.62	420.48	485.02	483.73	16.1	1.24	510.59	448.67	415.80	484.00	482.59	513.41	348.27	355.82
Finland (28)	372.03	33.8	327.74	306.50	353.54	433.01	36.0	2.08	371.86	326.76	302.82	352.48	431.82	378.27	243.25	258.28
France (79)	294.94	23.2	259.83	242.99	280.28	283.49	25.5	2.03	293.58	257.98	239.08	278.29	281.44	295.53	209.81	225.20
Germany (58)	270.11	17.7	237.95	222.53	256.68	256.68	19.7	1.27	268.60	236.02	218.73	254.60	254.60	271.10	193.38	206.52
Hong Kong, China (66)	358.38	0.4	315.72	295.26	340.57	356.47	0.4	4.50	358.21	314.77	291.71	339.55	356.32	580.03	282.93	455.87
Indonesia (27)	59.58	-9.8	52.48	49.08	56.62	308.84	38.7	2.18	58.94	51.79	48.00	56.87	302.83	254.80	27.87	232.49
Ireland (16)	523.86	30.5	461.50	431.59	497.85	537.22	35.3	1.05	521.36	458.13	424.57	494.20	533.12	525.09	322.44	329.93
Italy (54)	160.94	36.8	141.78	132.60	152.94	216.74	39.5	1.14	162.46	142.78	132.30	154.00	218.14	162.46	84.48	87.20
Japan (480)	100.34	5.3	88.39	82.66	95.35	82.66	5.5	0.95	101.75	89.41	82.86	96.45	82.86	141.12	88.52	114.47
Malaysia (107)	223.96	36.2	197.29	184.51	212.83	308.36	25.1	2.23	223.71	196.58	182.18	212.06	310.60	623.44	113.58	623.44
Mexico (29)	1675.95	-7.0	1476.42	1380.75	1592.65	15591.82	-1.8	1.45	1652.25	1451.88	1345.51	1566.18	15404.83	1901.98	1328.20	1371.85
Netherlands (19)	484.91	18.3	427.18	399.50	460.81	456.05	20.2	2.01	479.64	421.65	390.76	454.85	449.91	484.91	330.32	351.33
New Zealand (14)	76.46	0.1	67.36	62.99	72.66	72.33	3.5	4.51	77.16	67.80	62.83	73.14	72.71	98.47	71.49	84.95
Norway (38)	335.29	5.0	295.37	276.23	318.62	342.95	7.3	1.82	332.55	292.22	270.81	315.23	340.06	374.84	281.62	312.00
Philippines (22)	106.03	33.7	93.41	87.36	100.76	197.37	25.1	1.04	104.55	91.87	85.14	99.11	197.58	198.90	57.54	195.44
Singapore (42)	243.04	8.0	214.11	200.23	230.96	177.91	1.8	1.75	240.04	210.93	195.47	227.53	176.54	402.07	144.01	389.83
South Africa (43)	303.66	14.4	267.53	250.19	288.59	330.25	17.0	2.66	298.89	262.64	243.40	283.32	324.88	385.52	227.66	380.55
Spain (32)	377.09	38.7	332.20	310.67	358.35	443.30	41.2	1.63	376.05	330.44	306.23	356.46	440.59	380.44	210.35	218.50
Sweden (49)	569.52	21.3	501.71	469.20	541.21	664.36	20.5	1.76	565.43	496.86	460.46	535.98	660.90	571.99	405.00	443.82
Switzerland (31)	398.18	16.8	350.78	328.04	378.39	369.91	20.0	1.05	395.30	347.36	321.91	374.71	364.79	398.18	252.68	260.28
Thailand (38)	31.98	65.7	28.17	26.34	30.39	46.87	30.2	6.39	31.07	27.30	25.30	29.45	46.52	84.87	13.10	81.22
United Kingdom (209)	391.11	17.9	344.54	322.22	371.67	344.54	15.2	2.85	389.88	342.59	317.50	369.57	342.59	391.93	275.44	280.82
USA (638)	447.44	12.9	394.18	368.63	425.21	447.34	12.9	1.42	449.67	395.14	366.19	426.24	449.87	451.29	298.79	314.29
Americas (817)	406.25	12.8	357.89	334.70	386.08	342.94	12.8	1.43	408.00	358.52	332.26	386.75	344.40	409.30	274.59	287.69
Europe (896)	348.73	20.6	307.22	287.31	331.40	331.56	21.0	2.02	347.42	305.28	282.92	329.32	329.36	349.41	238.44	247.74
Nordic (149)	495.63	20.2	436.62	408.33	471.00	508.58	20.6	1.73	493.17	433.36	401.61	467.46	506.22	497.77	355.77	381.21
Pacific Basin (870)	111.98	5.8	98.65	92.26	106.42	92.61	5.3	1.61	113.23	99.50	92.21	107.34	93.05	158.99	85.32	134.37
Euro-Pacific (1566)	210.68	15.6	185.60	173.58	200.21	182.64	15.6	1.99	210.87	185.30	171.72	199.89	181.96	210.87	172.08	181.82
North America (758)	434.82	13.0	383.06	358.23	413.21	434.44	13.0	1.42	436.75	383.78	355.67	414.00	436.33	438.12	292.34	306.62
Europe Ex. UK (487)	317.23	22.2	279.47	261.36	301.47	315.17	24.3	1.57	315.83	277.91	257.28	299.47	312.91	318.12	213.38	224.04
Pacific Ex. Japan (390)	214.82	7.2	189.24	176.98	204.14	211.22	4.5	3.69	215.19	189.09	175.24	203.98	211.89	318.96	161.31	301.00
World Ex. US (1788)	214.77	15.3	189.20	176.94	204.10	190.04	15.3	1.88	214.82	188.77	174.94	203.63	189.28	214.82	175.30	184.99
World Ex. UK (2217)	280.14	13.6	246.79	230.80	266.22	256.23	13.9	1.50	281.08	246.99	228.90	266.44	256.55	281.08	211.18	220.65
World Ex. Japan (1946)	383.77	15.2	338.08	316.19	364.70	377.38	15.2	1.73	384.26	337.66	312.92	364.24	377.49	385.26	271.90	282.94
The World Index (2426)	289.51	14.0	255.04	238.52	275.12	264.21	14.1	1.64	290.27	255.07	236.38	275.15	264.35	290.27	216.61	225.97

Emerging markets: IFC investable indices

Dollar terms

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 27

1997/98 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
[illegible]										
		- B -								
[illegible]										
		- C -								
[illegible]										
		- D -								
[illegible]										
		- E -								
[illegible]										
		- F -								
[illegible]										
		- G -								
[illegible]										
		- H -								
[illegible]										
		- I -								
[illegible]										
		- J -								
[illegible]										
		- K -								
[illegible]										
		- L -								
[illegible]										
		- M -								
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		- N -								
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		- O -								
[illegible]										
		- P - Q -								
[illegible]										
		- R -								
[illegible]										
		- S -								
[illegible]										
		- T -								
[illegible]										
		- U -								
[illegible]										
		- V -								
[illegible]										
		- W -								
[illegible]										
		- X - Y - Z -								
102⅝	51½	Xerox x	1.44	1.4	24	14578	u104⅜	101¼	104⅜	+4⅜
65½	40½	Xtra Corp	0.88	1.4	20	377	63⅝	63⅛	63⅜	[illegible]
27⅛	20¾	Yankee Egy x	1.34	5.4	15	104	24⅞	24⅝	24⅝	[illegible]
58	34⅛	York Int x	0.48	1.1	40	1258	45⅛	44⅞	45	
13¾	4	Zapata	0.28	2.1	33	1368	u13⅞	13½	13½	
13⅛	5⅛	ZenithEl				340	6⅞	6⅝	6⅝	[illegible]
28⅝	24½	Zenith Nat	1.00	3.5	17	49	28⅝	28½	28⅝	[illegible]
8⅞	7⅛	Zweig Inc x	0.73	9.8		238	7½	7⅜	7½	[illegible]
32⅞	17¾	Zero	0.12	0.4	18	103	29⅝	29¼	29⅝	[illegible]
14	10½	ZweigFd	1.32	9.8		289	13⅝	13⅜	13⅜	[illegible]
9¾	8	Zweig Tot	0.84	8.8		359	9⅝	9½	9½	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Sales figures are unofficial. d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. Owing to problems at source, some North American prices are pre-close.
Dealings suspended.

هكذا بالأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	8796.08	8846.89	8872.80	8906.43 (20/3/98)	6391.69 (11/4/97)	8906.43 (20/3/98)	41.22 (8/7/32)
Home Bonds	105.25	105.23	105.21	105.48 (15/1/98)	101.08 (14/4/97)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3512.32	3512.51	3517.52	3686.81 (17/3/98)	2222.07 (2/1/97)	3686.81 (17/3/98)	13.23 (8/7/32)
Utilities	282.64	284.99	287.00	287.80 (24/3/98)	208.47 (25/4/97)	287.80 (24/3/98)	10.50 (8/7/32)

DJ Ind. Day's high 8841.31 (8931.00) Low 8741.77 (8769.92) (Theoretical)♦
Day's high 8895.72 (8892.98) Low 8771.86 (8820.99) (Actual)♦

Standard and Poors	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	1095.44	1100.80	1101.93	1105.65 (24/3/98)	737.01 (2/1/97)	1105.65 (24/3/98)	4.40 (1/6/32)
Industrials♥	1273.93	1280.31	1280.43	1283.16 (24/3/98)	885.42 (11/4/97)	1283.16 (24/3/98)	3.52 (30/6/32)
Financial♥	132.87	133.40	133.86	136.52 (20/3/98)	80.75 (2/1/97)	135.52 (20/3/98)	7.13 (4/9/74)
Others							
NYSE Comp.	569.80	572.21	572.76	574.96 (24/3/98)	389.47 (11/4/97)	574.96 (24/3/98)	4.64 (25/4/42)
Amex Comp	738.33	739.39	736.89	739.39 (26/3/98)	541.20 (28/4/97)	739.39 (26/3/98)	524.20 (16/7/96)
NASDAQ Cmp	1823.62	1828.54	1824.51	1828.54 (26/3/98)	1201.00 (2/4/97)	1828.54 (26/3/98)	54.87 (3/10/74)
Russell 2000	477.15	477.81	477.14	477.81 (26/3/98)	335.85 (25/4/97)	477.81 (26/3/98)	123.36 (7/12/93)

■ RATIOS

	Mar 20	Mar 13	Mar 6	Year ago
Dow Jones Ind. Div. Yield	1.57	1.53	1.63	1.89
	Mar 25	Mar 18	Mar 11	Year ago
S & P Ind. Div. yield	1.32	1.35	1.36	1.77
S & P Ind. P/E ratio	30.37	29.80	29.26	22.54

US DATA

■ TRADING ACTIVITY

● Volume (millions)	Mar 27	Mar 26	Mar 25
NYSE	584.095	606.770	676.550
Amex	32.342	28.785	38.675
NASDAQ	743.407	731.216	895.475

NYSE	Mar 27	Mar 26	Mar 25
Issues Traded	3,468	3,484	3,487
Rises	1,316	1,465	1,389
Falls	1,573	1,514	1,532
Unchanged	579	505	566
New Highs	148	236	330
New Lows	37	28	12

■ NYSE TRADING ACTIVITY

Volume : 584,095,690

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
McDonalds	10,571,700	57¼	+2
Compaq	8,873,800	28⅜	
Premier Pks	6,316,800	56⅜	+3⅛
Pfizer	5,886,200	95¼	+1
Ph Morris	5,519,200	42⅛	−⅛
Unicom	4,735,300	35⅛	+⅛
Toys R us	4,362,400	30⅛	+⅛
GEC	4,000,500	83⅜	+1¼
Fannie Mae	3,907,200	63½	+⅜
Newmnt Mining	3,901,800	31½	+⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Gn Instruments	20⅞	+1⅞	+9.9
Container Intl	38	+2¾	+8.7
LSI Logic	25½	+2	+8.5
C&D Tech	50⅞	+3⅛	+6.7
Downs			
Watsco	27	−2⅝	−8.8
CDI	43¾	−3⅞	−8.2
Millipore	33⅞	−1⅞	−6.4
Argentaria	41	−1⅞	−4.4

■ NASDAQ TRADING ACTIVITY

Volume :743,406,975

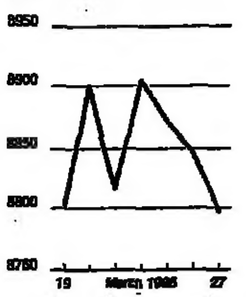
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	18,181,000	78⅝	+⅛
Sun Micro	13,897,100	41⅞	−1⅛
Ascend	11,574,600	37¾	+1⅛
Adobe	10,834,300	45½	−2⅜
Microsoft	9,624,300	87⅞	−⅛
Manugistics	9,256,700	53⅛	+⅞
In Focus Sys	8,872,000	9½	−4⅝
Dell Cmptr	8,397,300	67½	−1⅝
Cisco Sys	8,335,000	69¼	
Three Com	8,291,100	35⅛	−1⅛

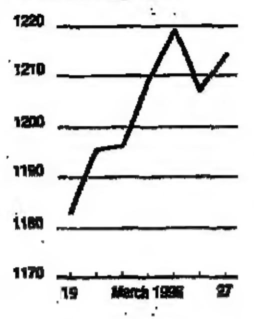
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Manugistics	53⅛	+15⅛	+40
SCM Micro	77⅝	+18¾	+30.9
Amer Mobile	15⅞	+3⅛	+24.1
Col Spimer	21⅞	+3⅞	+21.9
Downs			
Transcrypt	9⅝	−6⅛	−38.7
In Focus Sys	9⅝	−4⅝	−33.4
Gemstar	30⅛	−5⅞	−16.0
Siebert Fnl	31¾	−5¼	−14.2

Dow Jones



FTSE Eurotop 300



JAPAN

	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	16739.26	16690.62	16658.34	20681.1	14664.4	38915.9	85.25

Day's high: 17076.42. Day's low: 16736.75.

■ TOKYO TRADING ACTIVITY Volume : 309,000,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Np Steel Cp	7,455,000	222	−8
Sakura Bk	5,702,000	501	+9
Hitachi	4,441,000	986	+27
Mitsbl Hvy	4,204,000	509	−5
Mitsbl Est	3,573,000	1310	−20
Kobe Steel	3,548,000	110	−3
Bk Tk-Mitsbsl	3,468,000	1670	−20
LTCB	3,461,000	294	+4
Fujitsu	3,409,000	1340	+20
Toshiba	3,248,000	580	−2

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Showa Line	105	+13	+14.1
Aichi Corp	735	+88	+13.5
Kiyo Bank	384	+34	+9.7
Sasaki Gls	208	+17	+8.9
Downs			
Shimura Bk	410	−60	−12.8
Sankei Bld	370	−38	−9.3
Kokuyo	2270	−220	−8.8
Np Beet Sgr	266	−24	−8.3

FRANCE

	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	3810.23	3783.78	3818.71	3818.71	2256.97	3818.71	984.61

Day's high: 3851.10, Day's low: 3795.29

■ PARIS TRADING ACTIVITY Volume : 570,669,280

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Rhone-Poulenc A	2,070,372	301.9	+1.9
France Tel	1,493,111	311	−3
Bqe Nat Paris	1,414,700	496	+18.1
Elf Aquitaine	1,112,879	812	+21
Axa-UAP	870,307	620	−4
Cd St Gobain	843,194	1008	+19
CF Paribas	809,470	630	+10
Alcatel Alst	583,926	1116	+15
Total	544,959	750	+11
Usinor	525,658	101	−1.8

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Parfinance	425	+67	+18.7
ICBT Groupe	218.3	+20.1	+10.2
Ipedenico	163	+15.1	+10.2
SIPH (P.L)	280	+24	+9.4
Sertbo	205	+16.8	+8.9
Downs			
Clayeux	43	−7.05	−14.1
Michelin A	330	−25	−7
Wanlos	56	−4	−6.7

GERMANY

	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	5083.16	5039.76	5096.62	5096.62	2848.77	5096.62	931.18

Day's high: 5098.44. Day's low: 5036.21.

■ FRANKFURT TRADING ACTIVITY Volume : 14,944,464

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BASF	1,273,355	77.85	+3.05
Siemens	649,452	125	+1.85
Deutsche Tel	614,555	40.8	+0.15
Dresdner Bk	609,865	86.1	−2.3
Commerzbk	558,196	68.5	+0.1
Bayer	537,193	82.9	+0.3
Deutsche Bk	435,736	139.55	+1.9
Daimler-Benz	405,622	170.95	+1.8
Hoechst	374,713	71.25	+0.19
Bayer Vereinsbk	368,612	134.9	+8.4

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Technotrans	205	+26	+14.5
Leonische Dr	700	+87	+14.2
Aixtron	448.5	+53.5	+13.5
Singulus Tech	202.1	+22.1	+12.3
Mobil Com	1188	+118	+11.1
Ser Systeme	315	+31	+10.9
Downs			
Dis Deutscher	104	−11	−9.6
Computer 2000	650	−40	−5.8

UK

	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5939.3	5905.6	5967.8	5997.9	4056.6	5997.9	986.9

Day's high: 5977.0. Day's low: 5898.0.

■ LONDON TRADING ACTIVITY Volume : 860,900,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BTR	38,217,190	204½	+5
Shell	32,285,110	443¾	−¼
Vickers	18,397,850	230½	
Next	15,779,820	535	−9
Asda	11,251,840	197	+5
Lonrho	10,989,600	109	−½
Br Telecom	10,083,810	643½	+9½
Centrica	10,001,980	114	−¼
Glaxo Wllcm	9,805,114	1540	−26
Queens Moat	9,627,172	24¾	−¼

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Regina	10	+3¼	+48.1
BBB Design	70½	+18	+34.3
Aspen	122½	+29½	+31.7
Bearing Pwr	20	+3½	+21.2
Oxford Bio	17½	+3	+20.7
Downs			
Prestwick	35	−17	−32.7
Sec&Gen Med	24½	−4	−14
Laser Scan	19	−3	−13.6

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ **S&P 500**							
Jun	1110.70	1107.50	−3.30	1119.50	1099.00	80,574	357,024
Sep	1119.00	1119.30	−3.30	1129.50	1112.00	119	7,083
■ **Nikkei 225**							
Jun	17090.0	16860.0	−10.0	17110.0	16760.0	16,789	190,437
Sep	16880.00	16880.0	-	16880.0	16880.0	1	13,185
■ **CAC-40 (200 x Index)**							
Mar	3782.0	3813.0	+34.0	3853.0	3774.0	31,506	31,177
Apr	3782.0	3814.5	+34.5	3751.5	3776.5	14,839	22,178
■ **DAX**							
Jun	5075.0	5090.0	+18.5	5142.0	5050.5	19,545	111,835
Sep	5100.0	5135.0	+17.5	5173.5	5100.0	59	16,759
■ **OMX**							
Mar	2914.75	2929.00	+15.00	2932.00	2910.00	1,336	9,648
Apr	2902.00	2916.00	+14.75	2934.00	2898.00	5,285	25,868
■ **SOFFEX**							
Apr	7459.0	7531.5	+115.5	7559.9	7455.0	5,004	23,724
May	7448.0	7500.3	+145.2	7508.0	7448.0	14	475

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Mar 27	Mar 26	Mar 25	1997/98 High	1997/98 Low	✤ Yield	✤ P/E
Argentina	General	23424.90	23474.03	23166.55	25771.70 22/10/97	18237.40 2/1/97	3.4	18.3
Fell after bullish start because of weakness on Wall Street.								
Australia	All Ordinaries	2762.7	2781.1	2781.6	2792.08 24/3/98	2289.20 28/10/97	3.7	17.1
	All Mining	634.3	627.0	626.3	987.10 24/2/97	541.10 27/11/97		
Shares slipped, led low by BHP after lower-than-expected third-quarter figures.								
Austria	Credit Aktien	(u)	522.64	(u)	526.85 24/3/98	374.40 9/1/97	1.5	16.6
	ATX Index	1509.82	1479.44	1489.36	1509.82 27/3/98	1130.22 9/1/97		
Record peaks hit as VA Stahl jumped 3.6 per cent.								
Belgium	BEL20	2983.98	2991.94	3041.59	3041.59 25/3/98	1971.65 2/1/97	2.3	18.1
Groupe Bruxelles Lambert rose 3.3 per cent as shares pushed higher.								
Brazil	Bovespa	11900.0	11945.0	11756.0	13617.00 8/7/97	8965.60 2/1/97	na	na
Suffered from a wave of profit-taking amid a lack of funds and any market-moving news.								
Canada	TSE 100♦	464.20	460.69	462.57	464.28 27/3/98	342.12 11/4/97	1.9	20.5
	Metals Mins♦	4202.47	4154.87	4170.41	5891.76 10/3/97	3442.35 12/1/98		
	Composite♦	7622.50	7569.30	7579.20	7622.50 27/3/98	5979.30 14/4/97		
	Portfolio§§	3874.99	3840.41	3854.85	3874.99 27/3/98	2946.02 11/4/97		
A rallying gold group and across-the-board gains led to a new record.								
Chile	IGPA Gen♥	4829.12	4816.44	4810.15	5868.71 4/7/97	4243.47 27/1/98	3.4	16.7
Stocks tracked Chilean ADRs down with no other news to move prices.								
China	Shanghai B	54.01	54.36	55.16	98.21 20/3/98	40.89 12/1/98	1.2	39.6
	Shenzhen B	94.67	94.74	95.06	184.20 6/5/97	77.98 12/1/98		
Domestic investors sold hard-currency B shares in Shanghai to buy yuan-denominated A shares.								
Colombia	IBB	1179.7	1161.60	1152.98	1533.72 16/10/97	844.41 2/1/97	na	na
Country's top insurance company Suramericana de Inversiones surged for a second day.								
Czech Republic	PX 50	512.1	509.7	515.8	629.00 25/2/97	482.40 4/2/98	na	na
Blue chips, notably telecom SPT and Komercni banka, rallied after Thursday's profit-taking.								
Denmark	CopenhagenSE	780.76	761.42	763.77	783.77 25/3/98	470.14 2/1/97	1.3	17.2
TeleDanmark jumped 5.2 per cent as shares pushed higher.								
Egypt	Cairo SE Gen	(c)	387.22	386.86	- -	- -	na	na
In Sunday trading the CSE general index closed up 2.64 at 389.86.								
Finland	HEX General	4362.88	4347.26	4377.16	4378.14 19/3/98	2493.26 2/1/97	1.9	18.0
Trade spoiled by a spluttering start-up for new electronic trading system.								
France	SBF 250	2449.19	2431.45	2451.31	2451.31 25/3/98	1533.19 2/1/97	2.6	18.5
	CAC 40	3810.23	3783.78	3818.71	3818.71 25/3/98	2256.97 2/1/97		
Good demand for banks and oils led market higher.								
Germany	FAZ Aktien	1637.73	1634.74	1648.34	1648.34 25/3/98	986.21 2/1/97	1.5	22.4
	Commerzbank	4833.30	4817.50	4859.10	4859.10 25/3/98	2876.90 2/1/97		
	DAX‡	5083.16	5039.76	5096.62	5096.62 25/3/98	2848.77 2/1/97		
Off session peaks on early Wall Street jitters. Dresdner Bank fell almost 3 per cent.								
Greece	Athens SE	2063.32	1992.61	(c)	2063.32 27/3/98	954.54 2/1/97	3.2	19.5
	FTSE/ASE 20	1214.94	1177.71	(c)	1214.94 27/3/98	755.18 29/1/98		
Shares raced higher in good volume. Hellenic Bottling jumped 7 per cent.								
Hong Kong	Hang Seng	11735.50	11757.88	11810.63	16673.30 7/8/97	8121.06 12/1/98	2.5	14.9
	HSCC Red Chip	1701.92	1729.11	1728.37	4110.55 27/8/97	984.50 12/1/98		
Rising interbank rates discouraged buyers. Volume slipped to HK$6.63bn.								
Hungary	Bux	8867.83	8636.07	8765.61	8788.63 20/3/98	4291.30 6/1/97	na	na
Shares drifted lower in thin volume.								
India	BSE Sens	3908.60	3891.75	3949.57	4548.02 5/8/97	3209.55 28/1/98		
	Crisil 500	718.09	714.85	726.34	843.28 5/8/97	694.38 29/1/98	na	na
End-of-account jitters faded as buyers stood firm.								
Indonesia	Jakarta Comp.	542.10	532.81	504.09	740.83 8/7/97	339.53 15/12/97	1.8	20.4
Hopes of an imminent deal between Indonesia and IMF spurred stocks forward. Rises beat falls by 3 to 2.								
Ireland	ISEQ Overall	5307.96	5280.34	5326.26	5326.26 25/3/98	2726.07 2/1/97	2.6	13.1
Israel	Tel Aviv 100	(c)	301.46	298.70	311.76 6/8/97	214.15 2/1/97	na	na
In Sunday trading the TA 100 up 0.97 at 302.8, its third consecutive rise, on overseas buying.								
Italy	BCI Comit 30	342.60	345.76	344.29	345.76 26/3/98	195.74 2/1/97	2.1	18.8
	Banca Com Ital	1509.86	1502.67	1516.35	1516.35 25/3/98	880.42 2/1/97		
	Mibtel General	23967.0	24063.0	23967.0	24063.00 26/3/98	10489.00 2/1/97		
Banks gained, but broad market fell after Bundesbank criticism of Italian fiscal policies.								
Japan	Nikkei 225	16739.26	16690.62	16658.34	20681.10 16/6/97	14664.40 12/1/98	0.9	49.8
	Nikkei 300	247.53	248.27	242.70	303.71 26/7/97	224.85 12/1/98		
	Topix	1256.55	1261.59	1236.71	1569.28 26/6/97	1120.61 12/1/98		
	2nd Section	1345.86	1340.57	1335.07	1849.25 30/6/97	1160.55 24/12/97		
Fears the stimulus package might not be enough to kick-start economy left shares drifting lower in light volumes.								
Jordan	Amman SE	(c)	(c)	168.09	- -	- -	na	na
In Saturday trading the AFM index fell 0.02 per cent to 168.05 and on Sunday it ended down 0.71 at 167.34.								
Malaysia	KLSE Comp.	727.62	733.31	736.78	1271.57 25/2/97	477.57 12/1/98	1.2	24.4
Financial and construction sectors led the market lower in quiet trading. Declines beat advances by 5 to 2.								
Mexico	IPC	5043.09	4986.23	4997.14	5299.48 21/10/97	3368.48 2/1/97	1.6	18.6
First rise in four sessions on expectations Opec will agree to cut oil production.								
Morocco	CASA	721.05	717.82	720.01	723.35 24/3/98	491.89 3/1/97	na	na
Wafabank, up 3.3 per cent to 1,049 dirhams, and Centrale Laitière, up 3.2 per cent to 4,223, were the good performers.								
Netherlands	CBS TotRtnGen	1321.9	1305.3	1321.7	1321.90 27/3/98	730.88 2/1/97	2.3	21.0
	CBS All Shr	757.0	748.0	758.9	757.00 27/3/98	429.00 2/1/97		
Unilever and Royal Dutch supplied most upside drive, but shares failed to reach record high.								
New Zealand	Cap. 40	2340.91	2349.32	2339.65	2535.48 22/10/97	2162.81 28/10/97	4.6	13.2
Disappointing current account data and volatility in interest rate markets sent shares lower in heavy volume.								
Nigeria	SE All-Share	6320.78	6307.93	6304.24	- -	- -	na	na
Norway	Oslo SE Ind	2297.72	2273.72†	2283.52	2297.72 27/3/98	1698.91 12/1/98	2.0	11.3
Firmer oil prices helped market higher. Explosives maker Dyno lower on news of Nkr507m charge to settle US lawsuit.								
Pakistan	Karachi SE	1568.21	1559.82†	1533.08	2087.95 22/10/97	1341.31 7/1/97	na	na
Political uncertainty and rumours of further violence in Karachi sent market lower.								
Peru	Lima Gen	1686.52	1694.27	1669.14	2299.40 10/7/97	1429.70 2/1/97	na	na
Bullish trend expected to continue with strong buying in Telefonica del Peru.								
Philippines	Manila Comp	2301.66	2310.37	2311.42	3447.60 3/2/97	1816.09 9/1/98	0.7	25.2
Worries over direction of peso hit shares. Volume increased to 2.23bn pesos.								
Poland	WIG	17209.9	17601.6	17472.0	18592.70 11/3/98	13228.80 12/1/98	1.3	14.7
Investors continued to take profits and analysts forecast further selling after market surge at start of year.								
Portugal	BVL 30	5543.03	5556.77	5578.55	5578.55 25/3/98	2169.57 2/1/97	1.6	23.6
	PSI 20	12864.66	12923.48	12973.49	12973.50 25/3/98	6152.94 2/1/97		
Dragged back by weaker Wall Street after looking strong early on.								
Russia	RTS	341.49	335.04	341.89	571.66 6/10/97	213.38 6/1/97	na	na
Market higher as it welcomed President Yeltsin's confirmation of Sergei Kiriyenko as candidate for prime minister.								
Singapore	SES All-S'pore	431.19	429.30	436.32	573.03 17/2/97	324.92 12/1/98	1.6	19.8
	Straits Times	1653.39	1651.54	1667.22	2271.88 20/1/97	1373.47 12/1/98		
Hitachi Zosen tumbled after Keppel Corp. agreed to take control at a substantial discount to the market price.								
Slovakia	SAX	137.80	135.46	136.22	208.84 21/3/97	136.46 25/3/98	na	na
Index rebounded from Thursday's record low, boosted by gains in dealmaker VSZ.								
South Africa	JSE Gold	753.5♥	719.9	718.6	1599.18 27/2/97	576.18 5/12/97	2.4	15.9
	JSE Ind.	8724.1♥	8626.6	8624.4	9314.20 7/8/97	6715.18 12/1/98		
Golds and financials pushed shares sharply higher. Randgold jumped 13 per cent.								
South Korea	KoreaCompEx**	503.08	501.13	510.14	792.29 17/6/97	350.68 12/12/97	2.3	7.7
In Saturday trading the Korea Composite closed down 8.82 at 494.26.								
Spain	Madrid SE	887.91	890.70	890.57	890.57 25/3/98	434.54 2/1/97	2.5	20.1
Recent underperformer Repsol jumped 3.4 per cent, leading broad market higher.								
Sri Lanka	CSE All Share	714.80	715.50	715.80	889.70 31/7/97	608.79 2/1/97	na	na
Institutions and foreign investors largely sidelined ahead of financial year-end. Falls more than doubled rises.								
Sweden	AffarsvarldsGen	3674.5	3555.8	3599.3	3599.30 25/3/98	2379.50 2/1/97	1.7	18.1
Reversed early losses to close firmer, taking lead from performances in neighbouring markets.								
Switzerland	SMI Index	7530.3	7415.6	7472.1	7530.30 27/3/98	3692.80 7/1/97	1.4	23.5
	SPI General	4697.27	4624.25	4654.76	4697.27 27/3/98	2559.22 6/1/97	na	na
Shares resumed foray to peaks, led higher by strong performances from Nestlé and banking sector.								
Taiwan	Weighted Pr.**	9095.83	9014.17	9040.75	10116.80 26/8/97	6944.76 6/1/97	1.8	31.9
Thailand	Bangkok SET	469.85	470.87	480.07	858.97 22/1/97	339.17 12/1/98	3.9	11.0
Fears over further capital raisings continued to overshadow shares. Foreign investors were largely sidelined.								
Turkey	IMKB Nat. 100	3313.76	3336.22	3300.91	3711.40 5/1/98	895.00 2/1/97	2.5	20.3
Market led down by fall in Isbank on news of discount planned in the domestic offer of a 12.3 per cent stake in bank.								
Venezuela	IBC	7955.10	7782.37†	7718.49	10877.19 17/10/97	6081.89 12/3/97	na	na
Closed higher in light trade, as investors await Opec meeting on oil production levels.								
Zimbabwe	ZSE Industrial	(c)	8202.81	8192.35	12860.00 5/8/97	6601.51 18/12/97	na	na
Political uncertainty kept foreign investors away.								
WORLD	FT/S&P World§	289.51	290.27	290.27	290.27 25/3/98	216.81 14/4/97	na	na
	MS Capital Intl§	1071.8*	1072.9	1073.3	1077.30 25/3/98	794.58 14/4/97	na	na
CROSS-BORDER	DJ Stoxx 50	3321.62	3306.11	3353.08	3353.08 25/3/98	1823.55 2/1/97		
	DJ Euro Stx 50	3150.90	3135.27	3179.72	3208.33 23/3/98	1634.52 2/1/97		
	FTSE E300	1214.43	1207.13	1217.94	1217.94 25/3/98	874.08 28/10/97		
	FTSE E100	2800.44	2779.59	2808.10	2808.10 25/3/98	1582.99 2/1/97	na	na
	HSBC JC Dgs	(u)	273.81	275.56	434.83 6/8/97	189.25 12/1/98	na	na
	MS Emrgs Emrg	158.71	157.48	158.17	198.81 8/7/97	125.18 12/1/98	na	na

** Sat Mar 21 Taiwan Weighted Price 8958.06, Korea Comp Ex 521.52. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Mar 27 5085.90 +37.90. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✤ Yield and P/E ratios are based on Datastream Total Market Indices. § Milestones.

THE NASDAQ STOCK MARKET

4 pm close March 27

Stock	Div.	P/ E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE NASDAQ STOCK MARKET

Stock	Div.	P/ E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX PRICES

4 pm close March 27

Stock	Div.	P/ E	Vol 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25	+0.125	25445	8.125	2.25	Gruppo Formula	ITL34550	-100	38370	37750	14250
ActivCard Rights	US$0.75	-0.125	40148	3	0.75	Innogenetics	US$55.625		181604	58.625	9.875
Algol♣	ITL23500	-250	49305	23750	12450	Integr. Surg. Syst.♣	DEM10		1000	12.1	6.8
Artwork Systems	US$9.25	+0.25	74964	11.125	5.875	Lernout & Hauspie	US$84.5	+4	23066	93	25
Chemunex♣	FFr15.5		1470	18	9	Melexis	US$15.4375		49555	18.25	7.1875
City Bird Holding	US$9.3125	-0.375	25330	10.3125	6.8125	Mercer Int'l♣	US$10		0	12.875	8
Dobbeta Holdings	GBP2.8	+0.1	9200	7.15	1.7	NTL	US$43.25	-1.25	5000	45.5	20.5
Dr Solomon's	US$35.75	+2	4150	46.25	20.375	Option Int'l	US$38.125	+1.125	78571	42.25	10.375
EDAP TMS	US$3.5	-0.25	0	9.125	5.625	PixTech♣	US$5.625	+0.25	12490	5.625	2.125
ESAT Telecom	US$27.375	+1.125	0	28.5	13.25	Royal Olympic	US$16.625		0	18.625	12.625
Espace Prod. Int.	FFr101.33	+0.03	900	117	88.83	Schoeller-Bleckmann♣	Sch1550	+34	6210	1692	900
Esprit Telecom	US$17.375		1625	18.5	4.875	Topcall Int'l♣	Sch2110	+405	792	12850	3065
Global TeleSystems	US$46.25	+2.75	2980	46.375	24.5	Turbodyne Technol♣	US$4.35	-0.05	100300	6.25	2.1

Prices for 27/3/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9980). Annual/Interim reports can be obtained for companies with a ♣ marked in this box. For further details please see London Share Service pages.

FT GUIDE TO THE WEEK

MONDAY 30

Joining the EU queue

European Union foreign ministers will have Kosovo high on their agenda when they gather in Brussels for their monthly meeting. They will also formally approve "accession partnerships" with 10 central and eastern European countries setting out the actions each country must take before joining the EU.

China's WTO bid

Trade representatives from China and the world's big four traders – the US, European Union, Japan and Canada – meet in Geneva to discuss China's bid to enter the World Trade Organisation. US officials say they are worried by the slow pace of the WTO negotiations and have rejected China's recent tariff cut proposals as inadequate. The WTO working party on Chinese membership is due to meet next week to review progress in the long running talks which Beijing would like to wrap up this year.

Opec takes stock

A meeting of the Organisation of Petroleum Exporting Countries' market monitoring committee is scheduled. The committee was due to review members' production levels and global market conditions earlier this month following an $8 a barrel slide in oil prices since October. It groups oil ministers from Iran, Kuwait and Nigeria, under Opec Secretary-General Rilwanu Lukman.

Armenian run-off

A run-off vote is held in the Armenian presidential election. Prime minister and acting president Robert Kocharyan, who won 38.8 percent of the votes cast in the first round, faces Karen Demirchyan a Soviet-era communist leader, who gained 30.6 percent in the first vote on March 16.

Investment promotion

Polish finance minister Leszek Balcerowicz takes part in a "Marshall Plan II" conference in Amsterdam promoting investment in eastern and central Europe.

Challenge of the east

A conference on Business Challenges and Opportunities in the Asia Pacific Region is held at the Royal Institute of International Affairs, Chatham House, London.

Culture conference

Political and cultural leaders, artists, intellectuals and business people meet in Stockholm to discuss "cultural policies for development". The four-day conference, organised by the United Nations Educational, Scientific and Cultural Organisation (Unesco), aims to examine the role of culture in promoting development and adopt an action plan to raise its profile in development strategies. Among those taking part are Gabriel Garcia Marquez, Graça Machel and David Puttnam.

Le working week

French prime minister Lionel Jospin meets CNPF employers' federation chairman Ernest-Antoine Seillière to discuss the proposed introduction of the 35-hour working week.

TUESDAY 31

El Niño update

The World Meteorological Organisation releases its latest update on how the El Niño weather event is affecting the world's climate. The current El Niño, the most powerful this century, has upset weather patterns around the globe, bringing drought to some regions and violent storms to others. It has also caused unusually warm weather in Europe in the early part of the year, according to the WMO.

Clinton in Botswana

US President Bill Clinton, who is on a tour of Africa, will be on hand when Botswana's president Ketumile Masire retires after 18 years in office and is succeeded by his deputy and finance minister Festus Mogae.

Farm ministers meet

European agriculture ministers meet in Brussels to discuss proposals by the European Commission for the widest ranging reform of the Common Agricultural Policy since it was founded 36 years ago. They are likely to be highly critical of plans for big cuts in support prices, but the Commission will argue change is essential to prevent a build-up of food mountains.

Chipmakers wanted

The semiconductor trade association Semi (Semiconductor Equipment and Materials International) announces in Geneva a pan-European initiative to address the continent's serious skills shortage in the semiconductor and electronics industries.

Expansion plans

The European Union begins formal negotiations with Cyprus, Hungary, Poland Estonia, the Czech Republic and Slovenia for their planned entry into the union in the early to middle part of the next decade. The expansion would be the biggest in the EU's history.

Finland-Ukraine link

Finnish president Martti Ahtisaari visits Ukraine, accompanied by an industrial delegation representing around 40 companies (To April 2).

Budget questions for Brown

British chancellor of the exchequer Gordon Brown gives evidence to a Parliamentary committee on his recent Budget.

Dutch bridging exercise

Amsterdam hosts an international conference on "Bridging gaps in financing infrastructure – a Euro Atlantic conference on public-private co-operation in Central and Eastern Europe"; speakers include Wim Kok, the Dutch prime minister.

President Clinton started his tour of Africa in upbeat mood but has quickly come to realise the scale of the continent's problems

Asia crisis conference

London's Centre for Economic Policy Research meets to discuss the causes and consequences of the Asian economic crisis.

FT surveys

Singapore; Brussels; Turkish Energy.

Holidays

Albania; Malta.

WEDNESDAY 1

Mines reminder

Robin Cook, the UK foreign secretary and Louise Frechette, United Nations deputy secretary-general, open an exhibition entitled "Landmines: the Human Cost" at London's Imperial War Museum.

Frasure memorial lecture

Richard Holbrooke, US ambassador to Estonia, delivers the first annual lecture in honour of late US ambassador Robert Frasure in Tallin; Frasure was the first US ambassador to Estonia after the country left the Soviet Union in 1991 but was killed on a mission to the former Yugoslavia after the vehicle in which he was travelling hit a mine; Estonian President Lennart Meri has set up a foundation to sponsor an annual lecture in his honour.

FT surveys

Review of Information Technology.

Holidays

Cyprus; Iran.

THURSDAY 2

Solving civil strife

A two-day conference on the role of humanitarian action in internal conflicts begins in Geneva, organised by US-based Webster university which has an offshoot in Geneva. The International Committee of the Red Cross and the United Nations High Commissioner for Refugees will be among those participating. The conference will discuss not only assistance to victims but strategies to prevent the outbreak of conflict and to reconcile warring communities once peace is restored.

Last steps to Emu

Helmut Kohl, Germany's chancellor, addresses the Bundestag, or parliament, as MPs debate the country's participation in the planned European currency union. German parliamentary approvals are the latest stages in a process that will culminate with the meeting of European Union leaders at the beginning of May when formal decisions will be taken on which countries will join the Euro block. The Bundestag session follows last week's economic "convergence" reports from the European Monetary Institute and German Bundesbank. On Friday, Hans Tietmeyer, Bundesbank president, and Yves-Thibault de Silguy give evidence to the Bundestag's finance and European affairs committees on the readiness of membership candidates.

Holiday

Iran.

FRIDAY 3

Asia-Europe summit

Heads of state of the European Union and 10 Asian countries convene in London for the second Asem (Asia-Europe Meeting) summit on Friday and Saturday. Top of the agenda will be the Asian currency and economic crisis, with the region's leaders seeking a greater engagement from Europe in Asia's affairs. The meeting will also provide an opportunity for the first EU/ China summit to discuss bilateral issues, notably China's application to join the World Trade Organisation. Europe will press China for more reforms, while China will point to the responsible attitude it has taken in not devaluing its currency. Britain is anxious for the summit to make a splash, but only modest results, including a strongly worded statement on keeping markets open, are expected. More attention may focus on newcomers to the international stage like Kim Dae-jung, Korea's new president. This will also be the first big trip for Zhu Rongji, China's economic tsar, since he was appointed premier.

Argentine probe

Argentine naval officer Jorge "Tigre" Acosta gives evidence to a Buenos Aires federal court investigating thousands of disappearances of civilians under the country's 1976-83 dictatorship.

Bloody Sunday

The public inquiry opens into the events of "Bloody Sunday" when British soldiers opened fire on republicans in Londonderry, Northern Ireland.

Holiday

Saudi Arabia (tentative, dependent on sighting of moon).

FT survey

International Project Finance.

SATURDAY 4

Annan completes tour

United Nations Secretary-General Kofi Annan completes a trip to London, the final stage of a tour of the capitals of the five permanent members of the Security Council. He will seek support for an agreement he negotiated in Baghdad to ensure unimpeded access for UN weapons experts to all sites in Iraq. Annan has held talks in Middle East countries, Paris and Washington and has just visited Moscow and Beijing.

Rugby union

England v Ireland, Twickenham.

Cricket

Third one-day international, St Vincent: West Indies v England.

Holidays

Senegal; Saudi Arabia (tentative).

SUNDAY 5

Motor Sport

Suzuka, Japan: second round of the world 125, 250 and 500cc motor cycle road racing championships.

Holidays

South Korea; Saudi Arabia (tentative).

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ECONOMIC DIARY

Other economic news

Monday: UK money supply growth seems likely to ease. Growth in the narrow M0 measure during March is expected to be just 0.2 per cent, slowing the annual rate of growth to 6.5 per cent, compared with 7.2 in February.
Tuesday: France's rate of unemployment is forecast to stay above 12 per cent for February, with the end of seasonal sales reducing the number of temporary jobs during the month.
Wednesday: The Bank of Japan publishes its latest quarterly Tankan survey of business conditions. Slowing export growth to elsewhere in Asia and sluggish domestic demand is likely to have kept Japanese business sentiment low.
Thursday: Factory orders in the US for February should see a fall, month-on-month, after the earlier 1.7 per cent decline in durable goods orders.
Friday: The US employment report is expected to show lower growth in non-farm payrolls during March, after six months of strong payroll growth. Analysts at Deutsche Morgan Grenfell expect average hourly earnings to grow by 0.3-0.4 percentage points, following February's big 0.6 point rise.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Mar industrial survey	21.0	21
Mar 30	UK	Feb consumer credit	£1.1bn	£1.3bn
	US	Feb new home sales	870k	877k
	US	Mar agriculture prices		-2.9%
Tues	Japan	Feb construction orders**		-14.8%
Mar 31	Japan	Feb housing starts**	-15.1%	-16.3%
	Japan	Feb construction starts**		-21.5%
	France	Feb unemployment rate	12.1%	12.1%
	Thailand	Jan manufacturing production index**	-13.0%	-10.7%
	Thailand	Feb M2**	16.2%	15.4%
	Canada	Jan real gross dom prod-factor cost*	-0.7%	1.0%
	US	BTM-Schroders March 28		0.7%
	US	Mar Chicago Purchasing Mangrs Indx†	57%	57.8%
	US	Mar consumer confidence	137	138.3
	US	Redbook March 28		-2.4%
Weds	Japan	Mar automobile sales**		-22.4%
Apr 1	Germany	Mar purchasing managers index†		55.80
	Japan	Mar Forex reserves*		0.7%
	UK	Mar Chart Ins of Purchasing Managers		51.2%
	US	Feb leading indicators	0.3%	Unch
	US	Mar Nat Ass of Purchasing Managers	53%	53.3%
	US	Feb construction spending	0.7%	0.7%
	Japan	98 Tankan capital spending	-3.3%	4.1%
	US	Mar domestic auto sales	6.6m	6.6m
	US	Mar domestic light truck sales	6.5m	6.3m
Thurs	Korea	Mar consumer price index*		9.5%
Apr 2	Korea	Mar trade balance - customs cleared		$3.3bn
	Japan	Feb overall personal consumer expend**	-4.3%	-4.0%
	Japan	Feb personal consm expend (workers)**		-5.9%
	Japan	Feb income (workers)**		-0.8%
	UK	Feb construction orders		N/A
	UK	Feb housing starts		N/A
	UK	Mar CBI distributive trades		33.0%
	US	Initial claims March 28	310k	313k
	US	State benefits March 21		2210k
	US	Feb factory orders	-0.7%	-0.5%
	US	Feb factory inventories		0.1%
Fri	UK	Mar Chart Ins of Purch & Supply survey		60.7%
Apr 3	Canada	Mar foreign reserves, change	C$0.4bn	C$3.3bn
	US	Mar nonfarm payrolls	235k	310k
	US	Mar manufacturing payrolls	5k	-2k
	US	Mar hourly earnings	0.3%	0.6%
	US	Mar average workweek	34.8	34.9
	US	Mar unemployment rate	4.6%	4.6%
	US	Feb home completions		1.29m
During the week...				
	Germany	Feb capital account		DM3.2bn
	Germany	Feb net foreign bond purchases		DM21.5bn
	Japan	Mar trade balance (first 20 days) not†		¥353bn

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] | First Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	18.39	18.90	18.90	0.00
0100	10.89	23.08	22.94	1.43
0130	13.81	27.67	27.58	1.43
0200	72.36	27.67	27.58	1.43
0230	72.38	27.67	27.58	1.43
0300	30.45	27.67	27.58	1.43
0330	30.45	28.89	28.80	1.43
0400	62.36	25.39	25.30	1.43
0430	62.86	19.07	18.97	1.43
0500	75.45	19.07	18.97	1.43
0530	11.86	11.92	11.92	0.00
0600	16.00	25.51	25.42	1.43
0630	16.00	25.51	25.42	1.43
0700	16.00	12.90	12.90	0.00
0730	16.00	11.92	11.92	0.00
0800	14.06	11.15	11.15	0.00
0830	16.01	11.50	11.50	0.00
0900	11.50	11.50	11.50	0.00
0930	11.30	11.92	11.92	0.00
1000	11.30	22.94	22.85	1.43
1030	16.00	22.94	22.85	1.43
1100	13.70	32.94	32.85	1.43
1130	29.20	32.94	32.85	1.43
1200	29.20	32.94	32.85	1.43
1230	29.20	30.39	30.30	1.43
1300	29.20	30.39	30.30	1.43
1330	29.20	22.94	22.85	1.43
1400	16.01	17.78	17.69	1.43
1430	14.54	17.01	16.92	1.43
1500	14.54	17.01	16.92	1.43
1530	13.91	17.01	16.92	1.43
1600	13.70	17.01	16.92	1.43
1630	13.70	17.01	16.92	1.43
1700	13.70	11.92	11.92	0.00
1730	16.01	11.50	11.50	0.00
1800	16.01	11.97	11.97	0.00
1830	16.00	21.84	21.74	1.43
1900	10.69	46.26	46.17	1.43
1930	11.00	46.26	46.17	1.43
2000	15.00	46.26	46.17	1.43
2030	34.77	21.83	21.74	1.43
2100	36.12	21.83	21.74	1.43
2130	36.12	21.83	21.74	1.43
2200	36.12	18.00	18.00	0.00
2230	16.42	11.97	11.97	0.00
2300	16.42	18.00	18.00	0.00
2330	15.58	18.00	18.00	0.00
2400	15.00	11.96	11.95	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69 MWh becomes 1.669p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/ or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of uplifting the costs arising from the operation of the system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 [illegible] between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] | First Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.20	11.95	11.95	0.00
0100	10.69	11.97	11.97	0.00
0130	13.81	19.29	19.29	1.14
0200	13.91	19.29	19.29	1.14
0230	15.42	19.29	19.29	1.14
0300	15.42	20.31	20.31	1.14
0330	15.42	20.31	20.31	1.14
0400	15.42	18.00	18.00	0.00
0430	16.01	18.00	18.00	0.00
0500	16.01	11.97	11.97	0.00
0530	16.00	12.66	12.66	0.00
0600	10.44	12.66	12.66	0.00
0630	10.45	12.98	12.98	0.00
0700	16.11	12.88	12.88	0.00
0730	22.51	26.39	26.39	1.14
0800	23.54	31.07	31.07	1.14
0830	27.06	30.25	30.25	1.14
0900	27.06	43.01	43.05	1.14
0930	67.17	44.27	44.29	1.14
1000	67.17	44.29	44.32	1.14
1030	67.17	44.28	44.31	1.14
1100	30.13	44.30	44.33	1.14
1130	30.13	44.35	44.40	1.14
1200	31.45	48.93	48.99	1.14
1230	31.45	50.62	50.68	1.14
1300	28.12	48.86	48.91	1.14
1330	28.68	37.95	37.99	1.14
1400	28.68	37.94	37.98	1.14
1430	39.23	37.93	37.95	1.14
1500	39.23	37.91	37.92	1.14
1530	39.23	35.73	35.74	1.14
1600	23.62	36.41	36.42	1.14
1630	23.62	43.53	43.56	1.14
1700	39.23	43.70	43.78	1.14
1730	39.23	36.96	37.14	1.14
1800	23.62	46.84	47.29	1.14
1830	22.61	51.41	52.00	1.14
1900	16.68	51.24	51.78	1.14
1930	16.65	50.09	50.37	1.14
2000	16.68	45.34	45.40	1.14
2030	40.00	40.65	40.66	1.14
2100	45.45	30.72	30.72	1.14
2130	40.00	30.72	30.71	1.14
2200	18.61	26.39	26.39	1.14
2230	18.61	30.72	30.71	1.14
2300	17.75	19.07	19.07	1.14
2330	22.51	20.10	20.10	0.00
2400	17.70	12.92	12.92	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69 MWh becomes 1.669p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/ or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of uplifting the costs arising from the operation of the system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 [illegible] between 8.30am and 5.15pm Monday to Friday.
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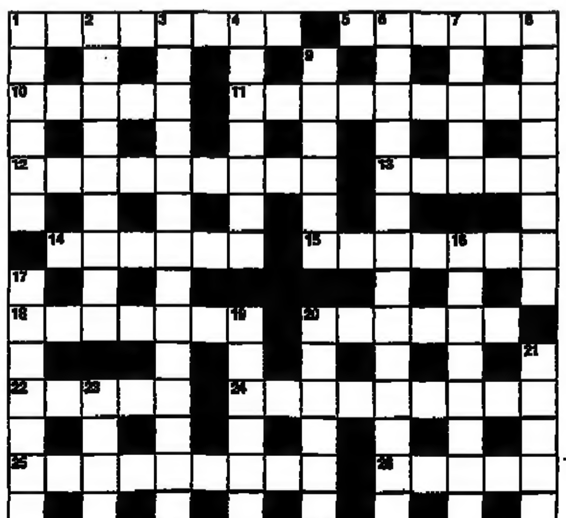
ACROSS
1 The inane version of Timon, for example (8)
5 *Following success in examination,* I am found everywhere (6)
10 The endless quarrel with cast (5)
11 Approach has arrangement of tiles – the most beautiful (9)
12 Mr Chips was such a good painter! (3,6)
13 Neat look of a wild chrysanthemum (2-3)
14 Constant interference (6)
15 Cuts in energy twice bring blackout (7)
18 Send the wrong way from motorway to dales, perhaps (7)
20 Low dog in bishop's area is safe (6)
22 Small and charming German eleven at home (5)
24 Group in which drums predominate? (5,4)
25 Fidgety and queasy in front of a tormentor (3,2,4)
26 Chosen, half of cricket-team caught (5)
27 Country producing tin these days, with key (6)
28 Forerunner of romance stories (8)

DOWN
1 Court exercise (6)
2 Early historian and celeb*rity spot America? (9)*
3 Unselected, I want transfer to this club (9,6)
4 Anglo-Saxon church takes most of credit for recluse (7)
6 Nobody, we hear, here in Oxford? (3,5,7)
7 Kid influenced, it is said (5)
8 Master spoke and grumbled (8)
9 Most characters in crisis come out (6)
16 Hairstyle for each guy with net, perhaps (9)
17 One cannot bring back cinema as variety (8)
19 Depressing when Tardis malfunctions inside (6)
20 Illicit alcohol exist in Polish housing? (7)
21 One who prepares copy of ring, tried in new style (6)
23 Hiding in marsh, behold a criminal (5)



Winner of Puzzle No.9,632: Joan Hofstetter, London SE11.

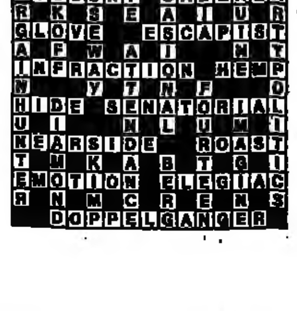
MONDAY PRIZE CROSSWORD
No.9,644 Set by DINMUTZ

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by Thursday April 9, marked Monday Crossword 9,644 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday April 14. Please allow 28 days for delivery of prizes.

Name____________________

Address____________________

Solution 9,632



JOTTER PAD

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